

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Santer and EC
President Delors

PARTICIPANTS: The President
John 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
Robert Kimmitt, Acting Secretary of State
Robert Zoellick, Counsellor, Department of
State
Edward Rowell, Ambassador to the EC
David C. Gompert, Special Assistant to the
President for European and Soviet Affairs,
(Notetaker)

EC

Jacques Santer, Prime Minister
Jacques Delors, President
Andre Philippe, Ambassador to the U.S.
Jean-Jacques Kasel, Political Director,
Ministry of Foreign Affairs
Albert Hansen, Counsellor to Prime Minister
Pascal Lamy, Special Assistant to the
President
Guenter Burghardt, Political Director, EC
Commission
Andreas van Agt, Head Permanent Delegation of
the EC Commission

DATE, TIME April 11, 1991 (11:00 a.m. - 1:30 p.m.)
PLACE: Cabinet Room and Old Family Dining Room

The President: Welcome. The floor is yours. I suggest we make
it a workmanlike discussion. We will be happy to hear from you
on the first item. (U)

Prime Minister Santer: We're happy for this opportunity. It's
the first U.S.-EC summit since the declaration that we signed

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last year. Since then, the world has shifted more. There are many issues, and our time is short. (S)

The first item on our agenda is Europe after the Paris CSCE summit. In our view, a number of basic changes have taken place in Europe climaxed by the Paris Charter. The European Community is now at a stage where our founding fathers' expectations will at last be fulfilled. We will be not only an economic community but are now about to add a political dimension as well. This commitment to political union has immediate consequences. For one thing, we now understand better that defense and security are not synonymous. The Atlantic Alliance must review its own doctrine; 11 of the 16 NATO members will have a common foreign and security policy in the European political union. This could have an immediate impact on the relations between the EC and the United States. This gives the U.S. and Europe three avenues for transatlantic relations. The U.S.-EC dialogue, NATO, and CSCE. We can use all of these avenues. (S)

We have concluded that with political union, we will need to adapt existing structures but not break them. We don't want to break America's sponsorship in Europe. The changes that we are making should be in solidarity with the United States. We want to preserve NATO and by that I mean alliance assets, alliance consultations, the integrated command structure and the U.S. force presence. All of these must remain. But we have new developments. There will be multinational forces in Europe, some including the U.S. and some that are purely European. We have to decide on the future of the WEU. It is our view that there should be an organic link between the WEU and the 12. We have not made any final decisions on this matter among the 12; it is not easy. (S)

We also have to reach some understandings about the relationship of the WEU to NATO. Let me offer some general observations. First, there can be no European political union without a common foreign policy and a common security policy and eventually a common defense policy. Second, there can be no European political union without NATO. Third, the relations among European political union, WEU and NATO need to be worked out. That is the essence of the debate. This debate over the European political union overlaps with our own debate about the European monetary union. (S)

As political union is achieved, Europe will at last be in a position to fulfill its logical responsibilities in solidarity with the United States and within NATO. Today we are in a position to give Europe a new path toward the political dimension that has been lacking. (S)

The President: Let me respond. With the events of 1989, we in the West had a sense of euphoria that peace and security had at last come to Europe. But with recent events, we're still concerned about developments in the Soviet Union. These

instabilities reinforce the need to keep our guard up and to have an affective defense. We understand what you are trying to achieve with political union, and we support the trend. But as Europe moves toward a common security policy we need to preserve and if possible strengthen our alliance by tying European security into the alliance rather than making it an independent identity. It seems to us that this is in everyone's interest. The Alliance should be the principal venue for consultations and the forum for agreement on all policies that bear on the Alliance responsibilities of NATO members. (S)

General Scowcroft: In the security field, the United States should continue be an integral part of Europe. And American and European security should be indivisible. This is a matter of historic consequence. Western Europe's unification does not obviate need for U.S. engagement in Europe's security. (S)

Robert Zoellick: The decisions on European political and monetary union are yours to take. But we are very interested in these decisions and we welcome your offer for contacts to learn about your thinking. In the security realm, our view is that transatlantic security is indivisible, and we need to work toward unintended consequences, of your decisions on European political union such as steps that could weaken the command structure of NATO. (S)

We also believe that CSCE is at an important institutional juncture. It has an important role, especially in East European security and as the conscious of the Continent. Therefore, we look for real results. (S)

President Delors: Dear President, even if there are some differences at times we are all in fundamental agreement. We Europeans need to be careful that we don't create problems here in the United States concerning NATO and your position in Europe. The Alliance is the first venue. But we think the European pillar will help the United States because it will mean a stronger European commitment to the defense to the alliance. (S)

The President: That is helpful to know. (U)

Jean-Jacques Kasel: Next week, General Galvin is coming to Luxembourg to discuss these matters. (S)

The President: We need to do more of this kind of consultation. Now on Eastern Europe and Yugoslavia, we think it is essential to consolidate the gains of the last two years, despite the enormous problems that these countries have. While this is a matter for you to decide, we think support for Eastern Europe should be a matter of extraordinary high priority for the European Community. We will of course do what we can to help and you can let us know where you think our help would be most effective. We have increased our assistance by 50% and we will urge other countries to increase their by some considerable measure as well. (S)

The reforms in Eastern Europe are at the point now where investment is essential. It would be a tragedy if these economies collapsed and these democracies failed. We will do what we can, but Poland, Hungary and Czechoslovakia need more access to markets, consistent with the GATT. We urge you to give them as much market access as possible, as we will do. Otherwise there will not be any investment and they will remain depressed and dependent -- which is not in your interest or ours. (S)

We will renew this as a top American priority and we hope you will do likewise. (S)

On Yugoslavia I understand that there is close cooperation between the United States and the EC. But we remain very troubled about this country. We have a common interest in seeing Yugoslavia held together without violence and with reform. I hope that by working together we can have an impact. We want to continue to cooperate. What are your views? (S)

President Delors: Leaving aside the problems of the integration of Eastern Germany into Germany the other new democracies are undertaking a very difficult task. They have two sources of help. Help from the West bilaterally and through the G-24 which is having some good results for Poland and Hungary. In the aggregate, we have provided \$8 billion in aid to Poland from the EC and \$6 billion to Hungary. There are enormous needs for training and technical assistance which we are trying to address. We also rallied around the IMF and the World Bank. They have to be the prime promoter for the problem of financing of these countries. \$15 billion has been offered of which the EC has contributed \$3.7 billion and as you know we have also cancelled significant debt for Poland. We are now working on trade and agreement cooperations with these countries. They have suffered a serious breakdown of trade with the Soviet Union. Its dropped by 50%. The Commission is pressing its members very hard on opening up markets. Our aim is a free trade area for these countries. We also try to strengthen their confidence by maximizing high level political dialogue. Thirdly, we try to strengthen cultural links. This is important because it helps protect against any sharp changes in the political situation in Eastern Europe. (S)

We have a double message (1) To the population of these countries work hard but know that you can count on us. We need to be sure that they understand that we will help so that they can bear the sacrifices to transform their societies. (2) Appeal to foreign investors, including Japan, to take an interest in these countries. (S)

We are seriously concerned that we could have a social revolt in Poland over the reforms. We could have civil war in Czechoslovakia. We in the EC are willing to grant asymmetrical agreements. The Commission will not hesitate to tell the 12 members how important this is. We are absolutely right, Mr.

President, to raise the question of markets. We will urge our governments to open markets. (S)

With regards to Yugoslavia, we will make a further approach from the highest level of the EC to both Federal and Republic authorities in Yugoslavia urging them to reform but also to maintain unity if they want to participate in Europe. Prime Minister Santer and I will give this message to Markovic and the others. (S)

The President: We are together on Yugoslavia. (S)

President Delors: I believe we should turn to the topic of the Soviet Union where the EC is suppose to offer the first comment. We all know about their economic difficulties, production is down, shortages are up. Our staffs in the Soviet Union say that people lived better under Brezhnev. There is no foreign exchange. The one encouraging sign is that the microeconomic level where there is an impetus towards markets. But basically we are sitting on a volcano. The referendum proved nothing. They have to reform their institutions, work out their institutional arrangements; otherwise they cannot reform their economy. Without new arrangements among its institutions, this country is like a puppet with its strings cut. I would like to see an agreement to implement the union treaty between the Union and the Republics. Also speaking personally I think the Baltics must be more realistic about prospects of immediate independence. I'm not sure that they realize that by their actions they could cause widespread upheaval throughout the Soviet Union. (S)

Lets hope that Gorbachev will broaden the political base of his government by bringing in some people who have a commitment to change. Gorbachev is the one, maybe the only one on whom we can count. I hope he will reach some kind of agreement with Yeltsin. (S)

As far as EC assistance is concerned, we will not give any now. But we know by June that there could be a very serious problem and an appeal from Gorbachev to provide food aid. Right now we are focusing large scale resources on technical assistance, carefully targeted. We deal with tne Center not with the Republics. Doing so would make Gorbachev weaker. (S)

The President: The Soviet Union presents a mixed picture. Gorbachev was very cooperative during the Gulf crisis. He permitted the United Nations to be effective, not only in sanctions but in the use of force. We worked closely with him. Despite some talk you might have heard, we were not upset by his last-minute initiative. We understood and are sensitive to his domestic problems, and it did not get in our way. Gorbachev stayed with us. We need to deal with who's in power. That said, we worry about his shift to the right, such as CFE Treaty. I should mention to you that we think that the CFE treaty might work out, but we can't be sure. (S)

Like you we are concerned about serious instability. We will continue to engage Moscow and push for domestic reform; but we won't push too hard or it will hurt Gorbachev and strengthen the military. (S)

With regards to the Baltics, I tend to agree with you, they should not overdo it. Of course we meet with them, I think we have met with them all. The Estonians seem much more reasonable than the Lithuanians. The principle we stand for is that they should be independent, but they need to move cautiously. We need to be cautious. We do not want to facilitate a right wing takeover in the Soviet Union because then we would lose everything that Gorbachev has offered. So we should join together in keep up pressure on the Baltics. I believe that Gorbachev did not order force in the Baltics. He said he didn't and I have to believe him. I wish he could just start moving in the right direction. (S)

The Soviet obviously have abandoned radical reform. Our policy will be to encourage resumption of the reform process but not to become embroiled. Dealing with Yelstin is a dilemma because he represents the values that we support but at the same time for all we know he might be a totalitarian. After all, he has asked for unusual powers. (S)

All in all, I think that the U.S. and EC are not far apart. (S)

President Delors: Much of the Soviet agricultural production never gets to the shops. They will have to prove to us that they have actual requirements -- and also prove that any food that we provide will actual get to the people. Then and only then will be provide food aid. (S)

The President: Do you think Gorbachev will be there in a year? I don't know the answer myself. He has horrendous problems. Every morning when he wakes up he finds that some other republic has declared independence. What worries me is what will happen if he leaves. The takeover could be from the right. His successor could be Yaneyev supported by the military and KGB. Then everything would be different for us. (S)

Prime Minister Santer: We share your views Mr. President. There is no easy answer to your question. It's a most difficult situation. We have to support Gorbachev's efforts, and we have to support Gorbachev himself. At the same time, he is a prisoner of the conservatives. We also have a public opinion problem in the West, explaining why we are working with him even though he has abandoned the reforms that were so helpful. In particular, why do we support Gorbachev inspite of the fact that he will not permit the Baltics to go free. This is a real dilemma. The Soviets really need to understand that they need a new type of union. (S)

Robert Zoellick: I hope you will bear in mind that as you help the Soviets that you could take away East European markets in the Soviet Union, such as with agriculture or pharmaceutical products. Also with regard to your concept how Europeans Soviet energy cooperation, we are concerned about being excluded. (S)

President Delors: For the time being the East Europeans have no basis for complaining about any assistance that we have provided to the Soviet Union because it has simply not displaced their exports to the Soviet Union. (S)

The President: With regard to Iraq, we did the right thing in liberating Kuwait. And now we will bring our troops home. But we are very concerned about the refugees. We are very pleased with our cooperation with Europe, not only in a crisis but now with regards to the refugees. We will do our part, but we must not become involved in the civil war. I'm being criticized for not using force -- for example, not shooting down helicopters. This criticism will not force me to commit American forces. We will do all in our power to help on the "enclaves." We should talk about this differently. The Secretary General is rightly worried about what will happen if we had an enclaves resolution. The Soviets and the Chinese would not go along. We need to regain the moral high ground on this issue. We are making it clear that we will use force if Saddam Hussein interferes with the humanitarian effort above the 36th parallel. In such a situation we would of course talk to you; but we won't let him shoot at our relief effort. That said we won't get involved in an age-old civil war. In the south the neutral zone and the UN presence of course will make things easier. (S)

There will be no normal relations with Iraq as long as Saddam Hussein is there. Saddam Hussein is sanctioned forever. We still hope that some military or perhaps party element will take matters into their own hands. (S)

Prime Minister Santer: The European Council met on this matter. We have already committed to \$200 million to supplement the aid to refugees that we had already undertaken. John Majors proposed enclaves. But it's clear that we cannot have a legal enclave. Its got to be a humanitarian sector. Our aim is to get the refugees back to their homes, therefore, we need some kind of safety zones within Iraq. Public opinion will not understand why Saddam Hussein is permitted to do this. If he has been defeated why is it that we let him get away with this. (S)

Our hope is that there will be a continuous U.N. presence to prevent Saddam Hussein from committing genocide against the Kurds. We need to give the Kurds a feeling that they can stay in Iraq safely. The 12 want to protect the refugees in Iraq for humanitarian purposes. The international community has achieved real credibility during the war, but now it must restore that credibility. (S)

The President: Would Europe support the use force to punish Saddam Hussein if he interfered with the relief effort? (S)

Prime Minister Santer: Our reading of the UN Charter indicates that in Chapter 7 would permit military intervention in that case. I think that the EC would support it if the Security Council said okay. (S)

The President: Yes, but the Soviets and Chinese might not support it. (S)

General Scowcroft: When we talk to the press, they might try to accentuate the differences between the United States and Europe. (S)

The President: The press says that the United States has been more callous than Europe. The fact is that John Major and I agree. We are not going to carve out a part of Iraq. And the Turks will not keep the Kurds. (S)

President Delors: The UN man who has been sent there is good. We know him, he is a Belgian. I understand he has a long term mission. (S)

Prime Minister Santer: The EC agrees that there could be no normalization of relations with Iraq as long as Saddam Hussein is in power. (S)

The President: Let me tell you about Jim Baker's work in the Middle East. We are looking for any formula that will work. We and others may have to forget past positions in order to find a successful formula. I want to assure you that we are not trying to exclude anybody, that is not our purpose. Let's find out what will work and then decide how to proceed. We will bring Israel along. Perhaps Europe can help to deliver the Arabs. In failing to embrace the idea of a CSCM, we don't mean to exclude Europe. All we care about is what will work. (S)

Prime Minister Santer: We welcome your speech on the Middle East to Congress and also Jim Baker's mission. These are positive initiatives. But we have discussed this matter in the EC, and I want you to understand that we are ready to take our responsibility. We have links in the Middle East as well as interests to provide \$7 billion of aid, and we do have influence. Frankly, our member countries would not understand why the Soviet Union participates but the EC does not. And we are convinced that we could be helpful. (S)

The President: I want something that will work. We have new circumstances. The Arabs now have a different view. We have a new opportunity. Our policy will be predicated on what works; I'm trying not to exclude people because that would make us appear to be more in the lead. This is not our purpose. We must all set aside such matters of pride. The situation is unaccept-

able. It is crazy to have these settlements continuing and to have an Arab boycott still in place in 1991. We should recognize that this situation makes no sense. We will consult with you; we will definitely not leave you in the dark. We are trying to use new found credibility that the United States has. We are not trying to gain prestige. If you could deliver the peace for us on the side lines that would be fine with me. (S)

President Delors: If Israel is willing to enter into the peace process, the EC is ready to offer Israel markets and also help by bringing our influence to bear with the Arabs. (S)

The President: The Israelis are very difficult, as you know. Dealing with this government in particular is difficult. But even Shamir seems to be willing to talk. (S)

President Delors: If we are involved, we will also take responsibility in the Maghreb. (S)

The President: It is important for you in any case to take the lead in Maghreb. You tell us what we can do to help. I discussed this with Mitterrand. We talked about Tunisia and Algeria. He advised me on where our policies might not be as advanced as your own. This is an area where you can lead. (S)

Robert Kimmitt: I might add Mr. President that perhaps it's possible for the EC to be more helpful with Israel. I think this is one of our considerations. (S)

President Delors: Yes, I understand. Israel is worried about their position after a settlement. But the EC is prepared to offer new cooperation and new markets to Israel. (S)

The President: One thing you could do would be to use some influence in Ethiopia to get the Falatian Jews free to go to Israel. (S)

President Delors: On the Uruguay Round, the mood is better. We are grateful for your effort in seeking an extension in the fast-track authority. We agree that the Uruguay Round is important but we have to make progress in many sectors not, only agricultural but services and intellectual property. We are ready for discreet U.S.-EC discussions on all issues. We have a new paper on the table on reform of our common agricultural policy. It will take months to convince the 12 members on CAP reform. As you know, it is a very complicated matter. But we hope to achieve something by the end of the year. What we will achieve will involve less subsidies for exports but more subsidies for rural development.

Prime Minister Santer: I was to emphasize Mr. President that there are many other areas besides agriculture to be discussed in the GATT.

President Delors: On our new CAP reform, 9 of the 12 are okay. One is hesitant, and 2 are against. The three that have a problem are the UK, Denmark and the Netherlands. This is because it will involve reduced subsidies to the larger farms. (S)

The President: You can be helpful on our fast-track vote. We will fight for it but there is a way you can help -- if you could overcome this problem of oilseeds, which is a GATT dispute, which could be a problem for our fast-track vote. (S)

President Delors: This is a problem. On CAP reform in general, it is important that we do this for our own reasons. It will not help if it appears that we are transforming the common agricultural policy because of the GATT negotiations or because of the U.S. pressure. (S)