

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Helmut Kohl, Chancellor of Germany (U)

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Nicholas Brady, Secretary of the Treasury
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
Vernon Walters, Ambassador to Germany
Robert Zoellick, Counsellor, Department of State
David Gompert, Special Assistant to the President for European and Soviet Affairs (Notetaker)
James F. Dobbins, Acting Assistant Secretary of State for European and Canadian Affairs
Gisela Marcuse, Interpreter

Helmut Kohl, Chancellor
Hans-Dietrich Genscher, Foreign Minister
Juergen Ruhfus, Ambassador to the U.S.
Dieter Vogel, State Secretary and Government Spokesman
Peter Hartmann, Security Advisor to the Chancellor
Werner Weidenfeld, Coordinator for German-American Cooperation
Wilhelm Hoeynck, Ambassador at Large
Walter Neuer, Head of the Chancellor's Office
Dorothee Kaltenbach, Interpreter

DATE, TIME May 21, 1991, 4:30 - 6:20p.m.
AND PLACE: Oval Office

The President: Welcome to you all. This is an important visit. In our private session the Chancellor and I discussed the Uruguay Round which is very important. We also discussed European security questions. We noted the Baker and Genscher statement. We feel pretty good about the discussion of this issue, and we hope that we are on the same wave length. I am satisfied.

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The floor is your Helmut. Of course, I would like to spend some time discussing Eastern Europe and the Soviet Union. I want to get your judgment on these matters. I should say before we go any further that you had no problems here in the White House during the Gulf War. Not everyone understood what you did, but we understood and also thank you especially for your more recent leadership on Eastern side of this Kurdish tragedy. (S)

Chancellor Kohl: It is my joy that you are doing well now. We are all pleased that you are well. I want to make four points. First, there are enormous opportunities for us in Europe now; first, with German unification and now with European unification. but European union can only go along with an Atlantic bridge. European security policy must be embedded in NATO. Anything else would be foolish. We have an interest in a substantial U.S. presence on German soil. NATO will have to be adapted and can adapt. But there are no alternatives or replacement for NATO even in the long-term. We have to understand that it is important sometimes to help each other at home. I appreciate that we have to help you on this matter.

In view of the developments in Europe, such as the creation in 1992 of a single market of some 340 million people, it is not just a security question for the U.S. but an economic question and a cultural question. This will be the decade of the Europeans not the Japanese. The American people will want not only a security bridge but an economic and cultural bridge to Europe. For us Germans, U.S.-German relations are the essential foundation for our future. Our relationship review is irreplaceable.

Second, with regard to the GATT, we are against protectionism. Germany depends heavily on exports. Protectionism would be deadly to Germany. We need fundamental change in European agricultural policy both for Europe itself but also for the Third World. We have big domestic problems with this; but we will change tack and I will try to be helpful. (S)

Third, Jim Baker reported to me on his Middle East effort. As I told you Mr. President, let's not lose our great military victory with the peace. You have to find a solution based upon the right of Israel to exist and the rights of the Palestians and also the security of Lebanon. We sincerely hope you will succeed. In my view the key to success is Israel. I am no fan of Syria but if Israel agrees to go along, Syria will have to go along. We Europeans will be willing to support you. Involving us is not just a matter of our prestige; it's a matter of what will work. The Israelis are expecting 10 billion deutsche marks from us, but they refuse to commit not to use the money to place Soviet emigrants in the occupied territories. So we won't agree. This path that they are on could lead to catastrophe, and we will have no part of it. (S)

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The President: What do the Israelis say to you about the settlements in the territories? (S)

Chancellor Kohl: The Foreign Minister says that Shamir will write you a letter. But when I got the letter it said nothing. They intend to continue to follow this policy. Europe won't support this since it is a path to war. It's important to involve the EC in the process; otherwise if the Israelis want European concessions at the 11th hour, we may have to take hasty decisions. It will be better for us to have been involved. The situation in the former GDR is very complicated and very difficult. The communists did incredible damage to the environment. The situation was catastrophic. I went to see an industrial area which was noted for its chemical industries in the former GDR. The most recent plants they have there were 1941 vintage. But we will succeed in coping with these problems. Under the Marshall Plan we got \$7 billion deutsche marks from you for 60 million Germans. Now we are putting \$100 billion deutsche marks into 17 million Germans. We must also help Poland, Hungary, Czechoslovakia and even the Soviet Union. Things are not moving quickly in Poland, Hungary, and Czechoslovakia. Poland is a particular problem for us. What we don't want is a major prosperity gap between Germany and Poland.

With regards to the USSR, the way I look at it is that we should consider help or self-help. They themselves have to pursue economic reform, and they have to have a new federation structure. At the same time, a wait-and-see attitude is wrong. We must do something. We can't do this through loans, but we should do it through concrete assistance aimed at specific areas. (S)

The Soviets are facing some complications in Poland affecting their force pullout from East Germany. As a result of what the Poles are doing, the Soviets may have to pullout by sea. This could cost us more money, but the faster the better. (S)

The President: How is your housing program in the Soviet Union going? (S)

Chancellor Kohl: Not well. The basic question is, who is in charge? Is it the center, is it the local administration, is it the republic. My impression is that some people dealing with this problem would actually like to use it to sabotage Gorbachev. (S)

The President: I think we are in agreement on Eastern Europe. Havel told me about an old arms plant in Slovakia. Walesa told me the same thing about the tank factories in Poland. We must encourage them to continue with their reforms, and we must encourage investment. But again, huge grants are not possible.

On the Soviet Union, I'm accused of being too close to Gorbachev by some people. But my view is that we don't want to see

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Gorbachev pushed aside by the Right. We could get a military takeover; therefore, we work with Gorbachev. We might have thought recently that we were pulling away from him so I called him and had a long talk. He wants a billion and half dollars in grain credits but our Department of Agriculture has to certify that the Soviet Union is credit-worthy, and that won't be easy. Another problem of course is the Baltics. The best thing that Gorbachev could do is turn those states loose. It's a big thorn in our side with Congress especially. That leader of one of the Baltics Republic is unyielding. (S)

We just sent a team to the Soviet Union on the question of food distribution to see if we can move forward in the area of agriculture. If there is no change in the distribution system, any money that we would give them would be just poured down a rat hole. (S)

It appears that Gorbachev is working more closely with Yeltsin now. Apparently, Yeltsin saw the same danger that others saw on the Right. Gorbachev claims that he is committed to reform, and I believe him. I think he is the best bet for the West. But we cannot give him a blank check. So we are groping with the question of how to help him. (S)

Chancellor Kohl: I think this is one of the most important issues we face. Many people just don't understand what a great triumph the collapse of the Soviet system was for us. But now we must handle it intelligently. (S)

I'm not sure about Czechoslovakia. There is the problem of how to work out a federation between the Czechs and Slovaks. If this can be done, I think that the economy will be okay. But, they have an enormous arms industry. You would not believe it in the GDR we discovered 750,000 surplus machine guns. They made no long-term investments, but they certainly had a lot of weapons. (S)

Concerning Gorbachev, we cannot do nothing. Those who think we can wait and see forget about the Weimar Republic. We were all smarter after World War II. Truman was very smart to adopt a program which helped people who were prepared to help themselves. (S)

I recommend that you talk to Gorbachev from time to time on the telephone. I get the feeling that some of his people tell him that the West has abandoned him. So its very important to call him even when there is no particular reason. Gorbachev kept his promise to Germany; we have no complaints. On the Baltics, you are absolutely right, George, he will have to release them. But it would be a miracle if he lets them go without causing damage to the largest Soviet order. Lithuania of course is a particular problem. I don't know what Landsbergis is really after. Our policy should be to encourage this long-term development on the Baltics but at the same time try to help Gorbachev. (S)

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The President: Yeltsin certainly says what we want to hear on such questions as Cuba, the Baltics, etc. Looked at from afar, Yeltsin's agenda looks good to us. But we also hear is that he is a demagogue and might not be the same in office as he is today. (S)

This brings me to another point I wanted to make which is that there is really only one answer to problems of the Soviet Union and Eastern Europe; and that is world economic growth. I know you worry about inflation and we each have our own economic problems. We need markets for the East Europeans. We need to encourage deregulation and reform, especially in Poland, Hungary and Czechoslovakia. Gorbachev is still a bit behind on reforms. So it is important that we stay together on the world economic situation, with growth as our key. I know that it is very important for Eastern Europe. My basic points are that we should strengthen private markets, cut subsidies such as what we are trying accomplish on agriculture to the Uruguay Round, give the East access to our markets, and all of this should be supported by economic growth.

Chancellor Kohl: It is not simply a matter of money, it is also a matter of effectiveness. Gorbachev has been shown a program that would work. They lose 30% of their energy in distribution -- Things like leaking valves. We can fix their valves and give them 30% more. Their transport system is even more ruined. Thirty-five percent of the crops are lost in distribution. The West could be extremely helpful but we can only help if we know who is in charge. The consequences of Chernobyl are incredible. They still don't have a handle on it. (S)

The President: What is your prediction as to where we will be a year from now? (S)

Chancellor Kohl: It is very difficult to say. But I would say that one year from now they will have re-arranged the federation; its now in the process. I would also predict that Gorbachev will still be in power, and I predict that he will not change his course. I have no doubt that he will stay the course. He told me he would not change. He may have to take detours. I don't really see an alternative. No one has suggested anything else. (S)

The President: Well, its clear that we need to continue to encourage reform. (S)

-- End of Conversation --