

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Giulio Andreotti, Prime Minister of Italy on July 15, 1991

PARTICIPANTS: The President
James A. Baker, Secretary of State
Nicholas Brady, Secretary of the Treasury
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert Zoellick, Under Secretary for Economic Affairs and Counselor
David C. Gompert, Special Assistant to the President for European and Soviet Affairs (Notetaker)

Giulio Andreotti, Prime Minister
Gianni De Michelis, Minister of Foreign Affairs
Umberto Vattani, Diplomatic Adviser

DATE, TIME July 15, 1991, 9:30 - 10:30 a.m.
AND PLACE: Winfield House, London, England

The President: I am looking forward to our NATO Summit in Rome. We just received a letter from Assad. Maybe Jim Baker can explain it to you. (P)

Secretary Baker: Assad took six weeks to answer the President's proposal. We had heard that the answer would be positive. This represents a fundamental change in Syrian foreign policy. It is more or less unconditional acceptance. Assad makes a number of suggestions but no preconditions. His last paragraph makes it clear that he is coming to the conference. The government of Lebanon will come also, and we expect support from King Hussein. All of this should help resolve the question of PLO and Palestinian representation from the territories. It will put pressure on Israel to participate, notwithstanding their position that they would not attend if a UN observer was there. The President thinks we should follow up at the earliest opportunity. We will work with the Soviets and the Presidency of the EC. We have had conversations with Egyptians and Saudis. They are ready to suspend the Arab boycott if Israel suspends the settlements. You can help with some of the other Arabs, which will put more pressure on Israel. (S)

Prime Minister Andreotti: I think Assad's answer is very significant. When I saw him, we took up the question of UN participation, since the theme of the conference is Resolutions

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338 and 242, this implies some recognition of the UN role, even if they don't participate. The bilateral talks will be sequential but they will all end up at the same time. Concerning Israel, perhaps the Arabs can make a gesture. I'm interested in the idea of a commitment to cancel the Zionism equals racism resolution. (S)

The President: That would be very useful. We should go for repeal of that resolution, but why would the others go along? (S)

Prime Minister Andreotti: Because they see a significant peace conference as being possible. The announcement of the repeal of the Zionism equals racism resolution could get the peace conference going on a good start. Countries should say they are willing to do this. (S)

The President: But let's be careful not to make a repeal of that resolution a sine qua non. Let's not give Israel an excuse to delay a conference. (S)

Let me raise my favorite subject with you. I'll be very brief: Qadhafi. (S)

Prime Minister Andreotti: He's no angel, but I see some improvements in the current phase. One of the reasons for his moderation is your bombing. He's concerned about Islamic fundamentalism. He, more than anyone, explains this in a most convincing way. He says that when there is confusion between politics and religion it produces bad results. We have seen some positive action on his part, and Algeria and Tunisia think that Qadhafi is being helpful in dealing with the Islamic fundamentalist movement. (S)

On CW, he wants a total world-wide ban and is willing to have monitoring on Rabta. He is willing to have representatives of pharmaceutical companies come to verify. He has also eliminated contacts with Abu Nidal. We are just trying to maintain contact. After all, he is our neighbor, so we have more stake than anyone. (S)

The President: A lot of what you say is encouraging. But on Abu Nidal, we think he is still operating out of there even though he personally might not be there. Also, it's not clear that they are willing to give access to all of Rabta. The evidence is that he is going forward with weapons in some parts of the Rabta facility. Have you been briefed on Pan Am 103? There is some information that is not public yet, but it was Libya, not Syria, that did this. They did this dastardly act and now he has lowered his profile. Maybe he is giving less support for terrorism; but we would like to see his actions reflected in a changed approach, not just from his words. (S)

Let me suggest that we send a confidential briefing team to tell you what we see going on. (S)

Prime Minister Andreotti: Yes, I accept this. We want this because we are the most affected. I remember one time we had significant information from Admiral Poindexter about a coup d'etat being under way in Libya. That very day when we talked to him this information proved to be totally false. But let's have a briefing. (S)

The President: All right, we'll do it. (U)

Prime Minister Andreotti: I don't want to seem like a supporter of Qadhafi. Send your group. (S)

Secretary Baker: There's no question that Abu Nidal is still operating out of Libya. Qadhafi told Mubarak that Abu Nidal is gone, but his organization and infrastructure is still there. The evidence on Pan Am 103 is practically conclusive on the participation of Libyan terrorists. We are willing to share this with you. (S)

Prime Minister Andreotti: There was another event in which Abu Abbas had planned to stage an attack on Israel. What we must look at is Abu Nidal's business contacts with other Arabs, even some of the moderate Arabs. You'll have our complete cooperation. (S)

The President: Tell me, what are your priorities for the G-7? (S)

Prime Minister Andreotti: The most important is to provide political support to the Soviet Union. We can debate about the ways to do this. I think you've interpreted the spirit properly in your letter, but we want clear guarantees from Gorbachev. Political and economic reforms must go hand-in-hand. Second there is the relationship between the Soviet Union and central and eastern Europe, particularly trade. I think we can aim to help central and eastern Europe at the same time. Their current crisis is aggravated by the breakdown of east European trade with the Soviet Union. (S)

The President: I definitely do not want a signal that we've shifted our attention from central and eastern Europe to the Soviet Union. From our perspective, we have to show that Gorbachev was received with respect and dignity. We don't want him to be portrayed as a beggar any more than he does. There isn't enough real reform there to bail him out. The details of the reform are key if the Western private sector is going to go in. How do we get him out of town with our support made clear but not committed to help if his reforms are not fulfilled? We are unanimous that giving him money would be counterproductive. It won't help the reform, and we'll never see the money. So we will not turn this into a pledging session. (S)

Prime Minister Andreotti: Let's keep in mind three things. First, the political assessment. This man got his army to accept German unification. This has a bearing on the situation right now, particularly for Kohl. Second, Gorbachev must build up his

country after centuries of feudalism and communism. We have a right to link assistance to specific reform program, but the question is how. We will need continuous contacts after the summit. One aspect of his program that needs special support and that is that the independence for the Baltics can be a result of his political reform, but we can't expect everything all at once. (S)

The President: We can't forget what he has done, but neither can we forget Walesa and Havel. If we can be helpful, that's fine - - with technical assistance and IMF special status. The Soviets have no knowledge at all. Their half-baked proposal shows that they need help. A number of U.S./Soviet experts visited me in Kennebunkport. They all felt that the Union Treaty is essential. Otherwise, our business people won't know with whom to deal. You mentioned an on-going mechanism. We should not institutionalize the G-7 bureaucracy in this regard. We all have different problems with the USSR. We should not institutionalize except in the IMF. The Japanese want to use the G-7 because it's their only forum. However, we should only use it once a year to talk about our common economic problems. The United States will not deal with the USSR through a collective mechanism. If we try to set up a follow-on mechanism, it will mean more bureaucracy, and we want less. We need this forum to discuss our economic problems. (S)

Prime Minister Andreotti: We can find a solution. The OECD could follow the question of economic cooperation with the USSR. As for the political and bureaucratic aspects of the problem, I agree with you. (S)

The President: I'll give you an example. He puts billions of dollars into Cuba. This leaves us up against a wall. He is propping up Castro while asking for help. This is our problem with them. We can't internationalize that. Jim has made progress on START, but Soviet missiles are still aimed at New York and Washington. Congress would think that we're nuts to propose dollar aid for the Soviets now. We have to retain our total freedom to deal with the USSR as we need to. We give him a lot of credit for what he has done, but we feel strongly on this point. (S)

Prime Minister Andreotti: Why don't you study the question of using the OECD? On the problem of mixed prices, for example, in Italy during Fascism the state regulated prices. This had disastrous effects. But we had to eliminate that practice gradually to avoid inflation. (S)

The President: We must encourage the Soviets to convert their defense industries. They spend 25% of GNP on defense. That is ridiculous. (S)

Prime Minister Andreotti: But there has been a decrease in the last few years. We have signed an agreement to help them. (S)

The President: We see the same problems in Slovakia and in eastern Poland. They are still building Soviet tanks. Give me your views on Yugoslavia. My inclination is to let the EC handle the situation. (S)

Prime Minister Andreotti: Our point of view is that the Yugoslavs have to find a way to communicate. This requires two things: one, an absolute prohibition on the use of force; two, legal assistance in helping them prepare a new constitutional arrangement. They must all respect minorities. We are trying to press this on them. De Michelis and two others forced Milosevic to let Mesic assume the Presidency. We are all very concerned. They are a very diverse population, and they are all violent. (S)

The President: What do you want us to do? We have been stressing unity, no use of force and dialogue. (S)

Prime Minister Andreotti: There must be a new model of unity. If you can make a statement supporting the EC effort, it will be helpful. (S)

Secretary Baker: Our approach has been based on support for democracy, human rights and finding a new basis for relations among the republics. The Slovenes took unilateral actions, then the JNA overreacted. Do you think the 12 will remain united on this problem, or will some want to recognize Slovenia and Croatia? (S)

Foreign Minister De Michelis: The Germans will push for recognition of Slovenia if there's a coup d'etat in Belgrade. In that case, we are in trouble. (S)

-- End of Conversation --