

## THE WHITE HOUSE

WASHINGTON

## MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Lubbers and EC President Delors on July 15, 1991

PARTICIPANTS: The President  
James A. Baker, Secretary of State  
Nicholas Brady, Secretary of the Treasury  
John H. Sununu, Chief of Staff  
Brent Scowcroft, Assistant to the President for National Security Affairs  
James F. Dobbins, Acting Assistant Secretary for European and Canadian Affairs  
Robert Zoellick, Under Secretary for Economic Affairs and Counselor  
David C. Gompert, Special Assistant to the President for European and Soviet Affairs (Notetaker)  
Eliza Burnham, Interpreter

Ruud Lubbers, Prime Minister  
Jacques Delors, President  
Hans van den Broek, Minister of Foreign Affairs  
Frans Andriessen, Vice President  
Peter Van Walsum Burghart, Political Director  
Interpreter

DATE, TIME July 15, 1991, 11:00 - 12:00 p.m.  
AND PLACE: Winfield House, London

The President: We want to tell you about the good results we have had on the START talks and to brief you on the letter from President Assad. I have also heard a rumor that the U.S. is not interested in a successful conclusion to the Uruguay Round. This is not correct. The U.S. wants a successful round. First, I would like to ask Jim Baker to talk about the status of the START talks with the Soviets. (Ø)

Secretary Baker: The throw weight issue may well have to be solved by the two Presidents, but we have worked out problems on data denial and down loading. (Ø)

The President: Some people have suggested that the U.S. wants to delay progress on START in order to somehow delay a G-7 decision on economic support for the USSR. This is simply not true. (S)

On another issue, I would like to ask Jim to review the Middle Eastern situation. (Ø)

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Secretary Baker: We are very pleased with Syria's positive response to the President's letter on a peace conference in the Middle East. He accepts the proposal for a conference along the lines we suggested. Now the ball is in Israel's court. Lebanon and Jordan will be there, and we have a better chance for a Jordanian-Palestinian delegation. Egypt and Saudi Arabia will propose suspension of the Arab boycott in return for suspension of settlements. (S)

Prime Minister Lubbers: What about an Israeli response to the letter? (S)

Secretary Baker: Well, the initial response has been negative. There are two outstanding issues for the Israelis: UN observers and reconvening a peace conference. They are also concerned about Palestinian representation. (S)

The President: Prime Minister Andreotti believes that the UN might repeal language equating Zionism and racism. While such a repeal is desirable, it should not be made a precondition for Israeli attendance at a peace conference. (S)

Secretary Baker: If that could be done, it would make it harder to for Israel to complain about a UN observer. (S)

Prime Minister Lubbers: What can the EC do to help in the Middle East? (S)

Secretary Baker: It would be helpful for the Europeans to show support for an Arab decision to suspend its boycott of Israel in exchange for an Israeli suspension of new settlements in the occupied territories. You can particularly help with the Maghreb. (S)

President Delors: We have offered Israel the chance to participate in a trade arrangement and other financial incentives with the EC -- once a peace settlement is concluded. (S)

Secretary Baker: It would also be useful if you could urge the Palestinians to end the Intifada. Then we would apply pressure to suspend settlement activity. (S)

Prime Minister Lubbers: Can we assume King Hussein of Jordan would participate in a peace conference? (S)

Secretary Baker: Yes, Hussein would attend. The question would be whether he could put together a joint delegation. (S)

The President: Let's talk about the Uruguay Round. We are committed to the Round. The U.S. position is that everything has to be in there including agriculture. I made this point with Kaifu, Mitterrand, Major and Kohl. We want a deal. We'll do what we have to. We fought for fast track authority. The U.S. also has agricultural practices that it must also change. I

heard from Major of a rumor that the U.S. was not interested in GATT. That is just nonsense. (S)

President Delors: This is very important. (U)

Prime Minister Lubbers: It won't be easy. Let me tell you about the new EC CAP reforms proposal. The fact that EC agricultural ministers opposed the reforms showed how fundamental these changes are. This will be a difficult debate, but we must transform ourselves. The Dutch will act in support of the Commission's position. But we need help from Mr. Dunkel now: he must be more aggressive. (S)

Vice President Andriessen: I am happy to hear that you have recognized that the GATT is a global negotiation. A successful GATT conclusion will have consequences for eastern Europe and the Mediterranean. CAP reform will help our negotiating position. But we need a better paper from Mr. Dunkel by August. We must finish the round this year. The Cairns group positions on reform are too high. We cannot achieve it, but we can move a bit in each area. (S)

Prime Minister Lubbers: Agriculture is important but political will is what is critical. Europe isn't focused on GATT, and agriculture protectionism is a growing concern. The U.S. and Europe will decide agriculture. Japan, however, is a key player in the larger picture. If they're better, it would improve the climate. (S)

The President: We'll face protectionist sentiments on textiles. This is a terrible problem for Turkey and the other poorer countries, and as I said we're not perfect on agriculture. But we'll put everything on the table. We have the will. We all must remember that trade is far more important for the LDC's than aid. (S)

Vice President Andriessen: I hope that the G-7 meeting won't raise expectations on the GATT talks. It is important to avoid disappointment. From a European perspective, a successful Round does not depend solely on agriculture. If the round can solve some of the EC's problems with Japan, then this would affect European attitudes towards the Uruguay Round. Perhaps we will have a better sense of where things stand and what we must do after the Hills/Madigan/MacSherry/Andriessen talks on GATT at the end of the month. (S)

The President: Good. (U)

Prime Minister Lubbers: Do you expect any surprises from Gorbachev at the G-7 meeting? (S)

The President: No, I don't. His plan is short on specifics and not clear as to the role of the Republics. Who do businessmen deal with? (S)

President Delors: I'm very disappointed with Gorbachev's economic program as it was presented to the G-7 leaders. I see nothing new on the Union Treaty. (S)

The President: Our experts feel that until constitutional arrangements with the Republics are finalized, it will be difficult for western support programs to have any effect. (S)

Secretary Baker: We cannot grant his request for a stabilization fund or debt restructuring. Nor do we like the idea of lifting the cap on EBRD lending. (S)

President Delors: I think a most helpful thing to do would be to restructure Soviet debt. If this is done, it would increase Soviet imports from eastern Europe and give them maneuvering room. (S)

The President: But to what end? What will they do with the maneuvering room? We need to have greater evidence that such restructuring would help promote significant economic reforms in the Soviet Union. (S)

President Delors: Debt restructuring is the only measure that the G-7 can take at the present time without further clarification of the Union Treaty. Gorbachev cannot leave without something. (S)

The President: Do we have any assurance that the Soviet Union could repay even a restructured debt? Perhaps western assistance to the Soviet Union should focus on technical assistance and the IMF associate status. That's something important. It is also important that we don't send the wrong message to eastern and central Europe. We can't neglect them. Maybe we all can do more. We need to open our markets for them. Our message to Gorbachev should be that he needs to move towards open markets. (S)

Vice President Andriessen: The collapse of Soviet trade with eastern Europe is the eastern European countries' greatest problem and one argument for restructuring Soviet debt. (S)

Secretary Brady: Any debt rescheduling for the Soviet Union is an admission of the Soviet Union's bankruptcy. Such a step could result in future credit being cut off to the Soviet Union. (S)

The President: Also, there is no clear indication yet as to who is in charge of the economy. (S)

Prime Minister Lubbers: There must be some way to assist the Soviet Union through eastern Europe. (S)

The President: How can the London Summit help with this? (S)

Prime Minister Lubbers: This issue is too technical for London. But maybe we can make mention of relationship of the Soviet and the central and east European economies in the communique. (S)

Secretary Baker: The U.S. does not hold a lot of Soviet debt. The Paris Club seems to be the right forum to discuss the issue of Soviet debt rescheduling. (S)

The President: Let's turn to Iraq briefly. Saddam Hussein continues to lie and cheat on compliance with the UNSC resolutions. While I do not want to take unilateral action, it is folly to let him defy us on nuclear matters. We will not tolerate the way Saddam Hussein is behaving towards the UN inspectors on his nuclear program. We are also concerned about the Kurds and have made clear that we will be available in Turkey to punish him if he brutalizes the Kurds again. I don't want to do it alone. We want others to be with us. The U.S. will not vote to lift sanctions on Iraq as long as Saddam Hussein remains in power. We'll take the heat. He's absolutely evil. We're determined on both fronts. (S)

Foreign Minister van den Broek: On the Kurds, we're all on the same line thanks to good consultations. We should stay in close contact. (S)

-- End of Conversation --