

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Opening Session of the London Economic Summit
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PARTICIPANTS: George Bush, President of the United States
Francois Mitterrand, President of the French Republic
Helmut Kohl, Chancellor of the Federal Republic of Germany
Brian Mulroney, Prime Minister of Canada
Guilio Andreotti, Prime Minister of Italy
Toshiki Kaifu, Prime Minister of Japan
Jacques Delors, President of the Commission of the European Communities
John Major, Prime Minister of the United Kingdom
Ruud Lubbers, Prime Minister of the Kingdom of the Netherlands

DATE, TIME Monday, July 15, 1991, 2:20 p.m.-5:40 p.m.
AND PLACE: Music Room, Lancaster House, London, England

Prime Minister Major: (Brief opening remarks on language and tea.) This is the 17th Summit, the 3rd in London and the 2nd in Lancaster House. All of you have sat here before; you have a wealth of experience. We have a heavy agenda. I hope we can set goals for the Summit in this opening. I hope our messages can be: building world partnership and strengthening world order. Politics & economics are united and of equal importance. Our joint aim is to build on Houston -- democracy, freedom, open economics. Chancellor Kohl is here as Chancellor of a united Germany. I will hold my observations and invite others to speak, starting with President Mitterrand. (U)

President Mitterrand: I feel the same keen interest in the events you emphasized and the great transformation all over the world, including the map of Europe. The Wednesday visit by President Gorbachev will represent the major element and will eclipse the others for better or worse. Since influential opinion is focused on his visit, we should set priorities. We may not agree on the comparative value of contributing to the USSR. It's the largest and most difficult topic, the more so because it has established its prospects for survival based not on facts, but on a particular analysis. Each can do this, even intuitively. One can't set a term on it. The USSR is in a precarious situation, but we've said it was that way for the past

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4-5 years. Gorbachev has been in charge for a long time, longer than Lenin. All of us are launched on an adventure, which is unpredictable. Second, we need to consider how best to distribute assistance. (C)

Some ask about the choice between the USSR and Central and Eastern Europe. Can we harmonize our views? I favor specific assistance for the USSR, but no guarantee. So arguments against are cogent. There are many unknowns. We need to consider our obligations to others. The EC has been involved with many (to the east). But large parts of the whole world are looking to us. Our influence is not inexhaustible. We can't resolve all the problems. But we need to evaluate the USSR, Central and Eastern Europe, the Third World (especially Africa, to which the EC is bound by Lome) need to evaluate. Assistance is an absolute priority. It has been for the 11 years of Summits I've been associated with. To fail to recognize this is a danger. A gap is widening; the danger is even more than with nuclear weapons. We could control nuclear weapons. But no one holds the developing world responsible for poverty and destruction. We can't hold them responsible for consequences. So we should put Third World assistance before all others. (C)

This brings us to a difficult topic. Perhaps too much time is spent on this. We need a G-7; perhaps it should be a G-8. We need to focus on economic cooperation. We can be flexible, but cannot go over everything. We need to discuss the economy before the other issues. We also need to discuss diplomacy; I know some want to discuss arms, narcotics, the environment. But our competence isn't universal. Our job isn't to substitute for all fora. We need to be cautious when we approach matters not within our purview. We might offend others who are not here. (C)

The cost of energy, for example, hurts consumers and producers. We need to work on this. At Houston, what we said about the Third World struck a response. I want to thank those who agreed to Toronto measures on official debt. We must go beyond them. (U)

PM Major correctly emphasized the economic weakness of the USSR. Division threatens; this is a crucial factor. The collapse of the USSR's superpower status led to the emancipation of other Europeans. We don't want any relapse. The Eastern Europeans were part of an empire, but now aren't. They are seeking an order for tomorrow. They are right to ask about the destiny of Europe. Unity will prevail among the EC 12, and it is growing stronger from year to year. Others in Europe want to join this movement; they aspire to unity, but also have a tendency toward breaking up. They are like tribes in Africa, but they have a choice between two directions. Look at empires: the rule of force maintains them. When force disappears, all the disparate parts proceed as they wish. This shows that you cannot force unity. Democratic dialogue brings parties together. There can be no federation through force. But the alternative may be to risk anarchy. We are reacting toward Yugoslavia as responsible

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nations -- not as the G-7 or the G-8. The fate of the world depends on replies to these questions. (C)

To conclude: Since Houston, we have seen extraordinary events. Some of us launched a war, a war that took place under law. We always do act in pursuit of our own interests, but here we did so under the law, too. The UN voted, effectively, to interfere in the domestic affairs of a member state. That is change. These are the 2-3 most important years of the century. The future of Europe is a consequence of the events of 1989. Europeans need to consider how to have unity without imperialism. (U)

I ask you to reflect on these developments -- the Third World, the USSR, Central and Eastern Europe, oil, and how to guide the future of the world together. (U)

The President: I haven't had time to digest your remarks. So my comments are somewhat at random. There is much food for thought. (U)

First, I'd like to thank Prime Minister Major. His task would not be easy to do normally, but adding Gorbachev -- the leader of a country that is not a Western industrialized democracy -- made it harder; the fact is that the USSR is a long way from being that. But it's fitting that you invited Gorbachev. It is important that Gorbachev be received with respect and a sense of the honor due to him. In the U.S., Yeltsin was the democrat for a fleeting moment. He spoke of cutting foreign aid, especially to Cuba. This is all in the context of a democratic experience. We should never turn our backs on Gorbachev's achievements. But we must also bear in mind that we can do nothing with the USSR that puts Eastern Europe in a less privileged position. I don't want to send them a signal that we'll slight them. In the case of the USSR, we cannot write out checks or give money until the reforms that have been talked about are implemented. I met with U.S. specialists on the Soviet Union recently. They emphasized the need to finalize the Union treaty, to sort out tax and investment policy, etc.; without it, the economy won't get better. So expectations of a \$150 billion aid package have been lowered. Gorbachev is too wise to ask for this. But one should also note that the USSR is not an economic superpower. It has military might. This complicates matters for me. Long-range missiles are aimed at the United States. We're close to getting START; Secretary Baker has said we're 99% there. I will try to conclude it, but don't want to get into that subject here. It shouldn't affect our success at the Summit. START is in the interests of us all. (S)

I agree there cannot be a federation by force. We need to encourage Gorbachev to go ahead with Baltic independence. He needs to understand that the quest for independence won't be stemmed. For the U.S., the single best step would be to show the Baltics that they can be free. I look forward to having Gorbachev here. (C)

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As for the Third World, trade is the best way to help. The Uruguay Round (UR) is key. Some countries have heard rumors that the U.S. isn't interested in the UR. We are interested. We know we have to give on textiles, agriculture, etc. Success is in all our interests. (U)

I'll leave the subject of oil until later on. We may have differences with France, but I don't think so. Prices must be sensitive to supply and demand. But Mitterrand was correct to emphasize the oil issue. (U)

Chancellor Kohl: I'd like to thank Prime Minister Major. We need to consider the consequences of what we do. Expectations are too high. We'll do what we can. Pragmatic changes are taking place in Central and Eastern Europe. We need to say we're not only delighted with their freedom, but that we will also support them. Thank you for supporting German unification. As for President Gorbachev, there is much speculation. I think Prime Minister Major dealt with this skillfully. Gorbachev's being here is proof of changes in the world. Consider what would have happened in 1975 had the current Yugoslav crisis struck then. We would be trying to avoid World War III. As bad as it is in Yugoslavia today, it remains a local conflict. (C)

President Bush referred to disarmament. He said in Kiev that they should not use our help to build up armaments. We need to provide the Soviets with the opportunity to change. I'm not sure what Yeltsin will do. There are promises. We saw this with President Gorbachev. It can't be in our interest for instability to exist in the USSR. We need to integrate it into the world economy. Help should be oriented to self-help. The USSR must establish the basics. President Bush was right on relations with the republics and local reformers -- this is necessary for any hope: without real decentralization, there can be no development of a market economy. Our resources are limited. The FRG has done a lot for Central and Eastern Europe and the USSR. It would be a serious mistake not to send a signal to Gorbachev for the future. There are a series of things to do: technical assistance, etc. Gorbachev's letter suggested consortia. The focus on nuclear power plants is important for us, too. A second Chernobyl would kill our nuclear program. It is correct that we cannot disregard Central and Eastern Europe. (C)

The G-7 is really an economic meeting. Could I ask if we could talk about the next Summit in Munich? We should redesign it on fewer topics, and not ask the Sherpas to cover more topics; they should focus instead on the real issues. (U)

We need to demonstrate concern for economic growth, GATT and free trade. It is vital for the GATT to succeed; it is key to the Third World. We can't afford a trade war. But this requires a readiness to compromise by all. The LDCs have a different level of development. Both sides need to be flexible. We should set a target of the end of the year; it won't be good to let this slide to an election year. (U)

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On world environmental problems, we will have the Brazil conference right before Munich, which is very important. We need to address rainforests as we agreed in Houston. Not to do so will hurt our youth. We need a clear position here. (U)

On debt, we can work out a reasonable strategy. If we won't help the poorest, we will be overwhelmed by immigrants. (U)

In Houston and before, we discussed drugs and criminal activities. But this trend continues upwards. It has a turnover of some \$500 billion -- the level of oil business. We need serious joint measures; EC can't do it alone. The EC needs to work with the U.S., Canada, North Africa, Asia. We should seek to develop mechanisms, not just take note of developments, and send a clear, short message. (U)

Prime Minister Mulroney. Congratulations to Prime Minister Major on the preparations for this Summit. I was struck by Helmut's point on high expectations. Everyone in the press is upping the ante. We have a remarkable confluence of events: the signal from Damascus is encouraging; START is close; we have Gorbachev visiting. This may mean the survival of his leadership. It is vital for Europe and peace in the world. I confess to a personal dilemma on his visit. In 1985 at Chernenko's funeral, Vice President Bush was there, and I wonder what he would have done if Gorbachev had said: I will free Eastern Europe, I will dismantle the Warsaw Pact, a united Germany will be in NATO, the UNSC will take action in the Persian Gulf, we will sign CFE and START agreements, there will be elections and democracy, I will develop personal ties with the U.S. President, economic ties with the West will develop. If Gorbachev had said these things in 1985, I would have hurried in with a check. Here's my dilemma: I find myself saying, what have you done for me lately. President Bush's comments on experts were just right. We don't want to waste money. We want to help, and do so in an effective way. I'm not sure what the effective way is. We're not experienced enough to know what to do. I look forward to hearing President Gorbachev. I want to hear how we can help. I'm not sure who he thinks his enemy is -- but it's worth 23% of his GNP. He needs to explain this. But still, I would have jumped at those 7 points if they'd been said in 1985. (e)

Second, on LDCs. I was thinking of the Francophone Summit of about 49 nations. Most are developing countries with low per capita incomes -- below \$500/year. Yes, this poses a dilemma for us all; it's morally difficult. The solutions are: (a) to dismantle trade barriers, especially in agriculture; (b) to increase the percent of GNP we give them; and (c) to move to Trinidad terms. I congratulate Prime Minister Major; I can support this. (U)

Third, the Uruguay Round. The UR must be our top economic priority. If we don't succeed in addressing trade distorting agricultural subsidies, we'll look silly -- trying to solve others' problems while we cannot even solve our own. The collapse of the UR would be an indictment of us all. The G-7

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would never recover. No one would pay attention to us, or should. (U)

Fourth, the environment. There will be the conference in Brazil. We have a particular interest in the marine environment. (U)

Fifth, we need to strengthen the UN. The solidarity shown in the Gulf crisis was one of the finest moments in the UN's history. (U)

Sixth, non-proliferation. With the Gulf experience behind us, the Summit needs to consider the issue of non-proliferation and arms trade -- though I also respect what President Mitterrand said. (U)

Prime Minister Andreotti: My thanks to Prime Minister Major. This meeting should strengthen support for international order as established in the UN charter. Last year saw the end of the Cold War. The Perm 5 worked together; there was an end to the old series of vetoes. We should look forward, not behind. In the past, we looked at the "crisis" of the moment. In Tokyo in 1979, it was the oil crisis. It went away. Some things can't be foreseen. There are momentous changes in Eastern Europe. No one discussed the Gulf in Houston. Perhaps we could have anticipated it. The enormous armaments should have led us to think of it. (U)

First, there is the problem of minorities. We have a concept of state sovereignty. But states are breaking up due to religious pressures, etc., especially where old dictators are gone. The road is to show the connections of the Community and other experiences. Trade is developing between the U.S, Mexico and Canada, too. These are forces that oppose breakup. Unless we establish the right of self-defense, the inviolability of frontiers. . . . This is just a theme. I'm not suggesting a solution. (U)

Second, migration. Poverty presses an unbearable solution, in the Middle East and along the Mediterranean, especially. There will be some 185-300 million people in this region by 2000. We need to work to keep people there. There are risks of mass migration. There are improvements, e.g., in South Africa. This could lead to economic integration. (U)

Third, there is political and religious intolerance. I'm talking of Islamic fundamentalism. They are moving toward a holy war against any modernizing influence. There is a large mosque in Rome, bigger than in Jerusalem; Arab leaders said they are pleased, but we want to be sure this doesn't become a center for Islamic fundamentalism. So we should bear in mind the number of Moslems in the world. (U)

We should concentrate on a few topics, and encourage a machinery, e.g., for natural disasters. (U)

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I think Chancellor Kohl mentioned the problem of nuclear power in the USSR. We run many risks like Chernobyl. There needs to be an agreed program. We also need to reduce the arms trade, as Prime Minister Mulroney said. There should be transparency for production in the Middle East, not just trade. (Israel can produce a lot; there is an imbalance without trade). (C)

Drugs: A lot has been achieved, but this is still an issue of great concern. (U)

We need to finish the UR. (U)

Soviet Union: After the Paris Summit of 1989, President Gorbachev sent a letter to President Mitterrand seeking cooperation in the Third World. Gorbachev needs more than economic support; he needs political support. President Reagan said in Geneva: I don't know if Gorbachev will succeed, but none of us should have on our conscience the responsibility of not helping. We cannot require the certainty of success first; this just gets us into a vicious circle. (C)

Prime Minister Kaifu: I welcomed the Houston message. Since then, we have faced the Iraqi invasion. President Bush's leadership and the UN overcame this; partnership was strengthened further. Other key issues include the environment and LDCs. On the UR, we need a successful conclusion for the multilateral system. This is a foundation of our global partnership. As for regional integration in Europe or North America, we hope it will be positive. But non-members have fear. Mahatir of Malaysia came up with the East Asian Economic Group. So the integrators need to be aware of this, and bear it in mind. (U)

On the USSR, we support their integration into the world economy. I hope to see concrete reform. We appreciate the opportunity for dialogue with Gorbachev. The objective is to transform the USSR into a constructive partner, as a market economy. There is a political context, as well as an economic necessity: the Baltics, human rights, the union republic process, democratization, and the global application of "new thinking" in foreign policy (Cuba, Afghanistan). In the Asia-Pacific, we look for action, too. But we haven't seen much to date there. We will test the USSR's interest through the Northern Territories. Gorbachev's visit in April was an opportunity to predict future moves. But there was no breakthrough. We agreed to discuss the issue further. It makes it possible to provide support. (C)

Asia-Pacific: This is a region of dynamic growth. There is a common desire for the LDCs to become full members in the world economy. We need to recognize this achievement. Democracy exists in Mongolia, Bangladesh, Nepal; and we need more help for Mongolia. It is important for China to develop, too. There are new signs of political reform. We will work soon to encourage reform there. There are new signs of political reform, and there are countries like Korea and Cambodia. (U)

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Arms Control: Japan maintains three non-nuclear principles. We haven't exported weapons. We want to strengthen the NBC regime including conventional weapons transfers (reference to Kyoto conference on disarmament). These are difficult issues, so we focus on transparency. (U)

Development Assistance: democracy and military experience are important. But we must also look to international political dialogue in this forum. (U)

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Prime Minister Lubbers: Thanks for the opportunity to be here. I would like to highlight a few items. (U)

(1) UR: We have seen the regionalization of markets. Now we need to add a multilateral success. There are possibilities. The EC has proposed a change in the CAP. This could change the climate. (U)

(2) USSR: We have a responsibility to integrate the Soviet Union into Europe, not only politically, but also into the world economic system. We shouldn't single out the USSR because the Central and Eastern European countries are also important. We might bring the USSR into the GATT; maybe also into the IMF. (C)

(3) Key global topics: Political progress has been achieved over the past 5 years, but two topics stand out: environment and energy. They are related to a certain extent. The Paris conference on energy was successful. As President Bush said, perhaps there are differences of view to sort out. I think all participants want markets, but also to improve their functioning. This is an issue of more than transparency; there are environmental costs, too. The G-7 needs to set course: for the Energy Charter and the environmental conference in Brazil. (U)

(4) Arms trade: This is not only an issue of non-proliferation, but of attacking all spots of danger. We have a larger responsibility than 5 years ago when the issue of non-proliferation was caught up in East-West problems. (C)

(5) Criminal money: We've started an effort on drugs, where problems of enormous organizational power and money laundering exist. It is important to address this issue in the future. (U)

(6) Migration: I see problems in Europe and elsewhere. We need a good political answer. (U)

President Delors: I will highlight a few specific issues. (U)

(1) World economy: No one has addressed this so far, but there are enormous problems. Kuwait wants to borrow \$33 billion. Savings don't match needs. (U)

(2) The respective evolution of Central and Eastern Europe and the USSR: Their destinies are linked. The USSR has reduced its

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imports from these nations by 40%; due to economic problems, the Soviets are cutting back. We decided in Paris to coordinate our efforts toward Eastern Europe. We need also to consider the Soviet Union. The EC accounts for two-thirds of the sum given to Eastern Europe. The Central and Eastern European countries need to organize themselves. Regarding the USSR, there are two progressive factors. (S)

-- (1) Structural reforms. They've never had a market economy, private property, etc. The fact that they are now accepted is progress. (U)

-- (2) Stabilization is a dialogue of the deaf. They mean restarting Soviet machinery; we mean macroeconomic stabilization. Gorbachev seems to recognize this in his letter for the first time. (S)

We also stress the union treaty, but there are no clear answers yet. (U)

(3) Houston requested a Brazilian rainforest pilot effort. The EC approved this and set aside credits for the purpose. (U)

(4) Natural disasters: We've had the problems of Kurdish and Shiite refugees. But the infrastructure was insufficient and the situation required the U.S. Army. We should think about how to organize for the future. (U)

Prime Minister Major: Our meetings were delayed because of the trade unions. They asked that I report on the present and incipient problem of unemployment. I told them I agreed with the objective, but perhaps differed on the means. (U)

-- Delors mentioned the world economy. This is a serious issue for sure. But we can be more satisfied than some think. (U)

-- The system showed its resiliency through the Gulf crisis. The oil markets were calm; stocks helped. And we avoided global recession. Some have seen a revival of growth. (U)

-- We agree with the trade unions on not blocking trade. The inescapable challenge for the Summit is UR success. The International Chamber of Commerce feared failure and said it would hurt business activities, including in areas where we have all agreed. I hope we're resolved to completing the Round this year. Agriculture is primary, but not the only problem. Others include intellectual property, services, etc. We all have to make sacrifices. I hope for personal commitments by the Heads. The technical negotiations can proceed, but as Mitterrand said in the EC, we need to make the decisions at the political level. (S)

-- Arms control and discussions on flows of weapons: we need to act to prevent another serious buildup. I hope we can agree on common principles, more effective checks on proliferation. Not only a forum, but a large and powerful forum. (S)

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-- Desirability of a more effective UN, especially for humanitarian issues. We all saw how hard it was to get help to the Kurds; we saw the same in Africa's famine, in Bangladesh. (U)

-- Debt: All of us have been generous. But the very poorest still need help. I hope we can extend more generous relief. (U)

-- Environment: We're all pursuing actions, more and more. These are global problems; and we recognize the need for international action. So we should stress the Rio conference. I hope to attend and hope all of us will. This will send an immensely important signal. (U)

-- Drugs: Earlier Summits worked on drugs. This one should look at illicit movements without interfering with the legitimate people and goods. (U)

-- USSR: The Soviet Union is still divorced from our system. I believe it is at an historic crossroads. I don't see this as a one-off meeting. We'll need to follow through. This is not a make or break meeting; that is not the nature of our dialogue. He's submitted a plan; we've had limited time to examine it, to see how it will be implemented. What does he mean by privatization, and price reform? What about the union treaty? We need to exchange views on this matter. Both President Bush and Mulroney asked what help would be effective. And what will he do to help himself? (Including defense reallocation to other ends?) So help needs to be geared to self-help. We need to hear from him first; how will he carry out his own policies? We've ranged widely today; will return in more detail later. We have a few minutes left -- the floor is open. *let*

The President: The question of the Brazil Conference has been raised. I know Helmut is interested in the Brazilian rainforest. Is this what the conference will focus on? (U)

Chancellor Kohl: No. It's just of interest to many people. The vanishing rainforest is a catastrophe for the climate; 65% of the existing rainforest in Brazil has been destroyed. The Brazilian President is willing to do something. I had an unpleasant talk with ex-President Sarnay. We wrote into the Declaration at Houston a commitment on this. It's a pilot project to stop endangering the tropical forest in Brazil in 10 years. People going to the conference in Brazil will be asked about it. As for the idea that an enormous bureaucracy is growing up: I distrust this. We need to make a start on the problem -- through a pilot program and on a scale that the people will understand it's worthwhile. This is true for students in industrialized countries, even conservatives. So I ask you all to reflect privately on this, on finding practical examples. (U)

Prime Minister Mulroney: The Brazilian Conference won't deal just with forests: other issues include climate change, biodiversity. There is a vast agenda. (U)

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Prime Minister Lubbers: Yes, the scope for this conference is broader. There is a climate change convention. It's necessary to coordinate policies. Regarding tropical rainforests -- this is an attractive idea. We often speak of protecting (the rainforest) against threats. This is positive. I'm not against exploiting these resources if done in a good manner. It could help with CO₂. Other items are related: biodiversity. These issues have a positive aspect. (U)

Prime Minister Andreotti: High-level participation is important, but we need follow-up. Need to mobilize our universities, to look at scientific arguments. On climate change, we don't have full scientific data, because there are few places for collection. So we have provisional considerations; need more places for collecting data, e.g., in Africa. So our scientific opinion is tentative. We must also look at what we would do after the conference. (U)

Prime Minister Major: There is another element: There is not real political input on the work of the conference. It may need political brokering. We can't just leave it to experts without input. The implications of our decisions are profound. (U)

Prime Minister Lubbers: There is risk in ecology. But we need to connect with the economic aspects. Our governments will be confronted by it. We need a strategy of combining economy and ecology. The EC is doing this. We don't want the environmentalists to blame our governments. (U)

Prime Minister Kaifu: I believe the Heads should participate. (U)

Prime Minister Major: Let's discuss our future program: We have a working dinner at the Tower at 8; the Ceremony of the Keys. At dinner I would like for us to take a preliminary look at the political declaration texts, to give guidance to our Foreign Ministers and Sherpas. I would also like to discuss global issues. On Tuesday, we'll need briefly to formalize the political texts, and then go to the plenary. (U)

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