

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Franz Vranitzky of Austria (U)

PARTICIPANTS: The President
Samuel Skinner, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Marlin Fitzwater, Assistant to the President
and Press Secretary
David Gompert, Special Assistant to the
President for European and Soviet Affairs
(Notetaker)

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Franz Vranitzky, Chancellor
Friedrich Hoess, Ambassador to the U.S.
Peter Hohenfellner, U.N. Representative
Eva Nowotny, Foreign Policy Adviser
Karl Krammer, Spokesman for the Chancellor
Helmut Freudenschuss, Notetaker

DATE, TIME January 31, 1992, 3:55 - 4:25 p.m.
AND PLACE: Waldorf Towers, New York

The President: How's your economy? (Ø)

Chancellor Vranitzky: There has been 2.5% growth, but that is slowing down. When people read that the U.S. economy is not recovering -- that affects us. (Ø)

The President: Our press promotes the idea that our economy is down, but they make the situation worse than it is -- which brings confidence down. This is a different kind of recession than the ones we've had in the past, one affecting white collar workers. We expect a recovery in 1993. But we should see positive growth at the end of the second quarter of 1992 with the economy becoming vigorous next year. We must turn around confidence. (Ø)

Chancellor Vranitzky: We have a big change in our economy because of people coming from the East. Both the number of jobs and the numbers of jobless are growing. Wives and foreigners are both competing for jobs. (Ø)

The President: What kind of unemployment benefits are you offering? (Ø)

Chancellor Vranitzky: After a worker is in the job for 5 months, compensation is given. But this is abused. When our people are laid off, they get unemployment compensation and then go back to work in the black labor market while still receiving payments. (Ø)

The President: I heard the same thing when I was in New Hampshire. I'm very pleased we're together on Pan Am 103. We must bring these people to justice. What are your views on Yugoslavia? We're under political pressure to recognize Croatia. Vance asks us not to do it, so we're trying to resist. How do you see it working out? I'm worried. (Ø)

Chancellor Vranitzky: I spoke with the Secretary General. He's worried that the Croats don't agree with the U.N. peacekeeping concept. Even after recognition, we must understand that this doesn't solve the problem. Recognition could be a tool of international solidarity but is not an end in itself. Now it is important to continue negotiations. (Ø)

The President: What do the Croats want from you now that you've recognized them? (Ø)

Chancellor Vranitzky: They want us to open an embassy. Slovenia is not in a war and it has no minority. But Croatia is different. We can't stop now with international recognition. There must be an effort to help these people come to a solution. The Serbs in Croatia are also a problem. They say they won't go along with Vance. (Ø)

The President: Is there an understanding in Europe about the U.S. position on recognition? (Ø)

Chancellor Vranitzky: I would say that the majority of the people do not understand it. They ask why the U.S. has not recognized. But there is no resentment about it. (Ø)

The President: Do Europeans think that our failure to recognize Croatia is actually hurting the chance for peace? As I said, we're mainly trying to help the U.N. (Ø)

Chancellor Vranitzky: The informed people in Europe probably think that the international effort to achieve peace would be strengthened by U.S. recognition of Slovenia and Croatia. Incidentally, Mr. President, there's a more positive attitude in Europe now about the U.N. (Ø)

The President: We need to do a better job explaining to the Europeans our policy in Yugoslavia. It needs to be understood that we are cooperating with the U.N. and we're holding off because the Secretary General has asked. (Ø)

Chancellor Vranitzky: If Vance fails to bring in a peacekeeping force it will result from factors on the ground, not because of the American position on recognition. (Ø)

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The President: Let me mention the meeting with Yeltsin. My view is that he is trying hard. There was a time when we wondered if he was for real, we also wondered whether he could take the heat. Now I have to admit, he told me what he was going to do with regard to the price reforms, he did it, and he is not wavering. He made some tough decisions. My respect for him is a lot higher. And yet he's still popular. There's no question that he's passed the courage test. He did that standing on that tank. He's also passing the Commonwealth test working on relations with the other Republics. But there is a complete lack of clarity on his economic plan. He's looking for more money from all of us. I think it's important to emphasize the IMF. Of course, we place our primary emphasis on the disposal of nuclear weapons. We will stay very active on this. The United States realizes it has a special responsibility. We will show Yeltsin respect, there will be no lording over him. (Ø)

Chancellor Vranitzky: Yeltsin is running the risk of not getting enough support within the Russia Federation itself. As I see it, others within Russia are not helping him. Incidentally, Mr. President, Austria is a major creditor of Russia. (Ø)

The President: It seems to me that these people need a great deal of interaction with the private sector. That is key. (Ø)

Chancellor Vranitzky: Yes, and we have to show Yeltsin that he is not alone. We have to show him that Europe has a strong interest in stability in the East. (Ø)

Mr. President, may I just mention one other thing. You know we have this U.N. building in Vienna that was built at our cost. Now, we want to attract more activities to that building like a chemical warfare office and a drug office, these could be strengthened. Also, with regard to proliferation, the IAEA activities could be strengthened. (Ø)

The President: Yes, I understand. Well, maybe it will work out, if the U.N. is consolidating anyway and it's advantageous to go to Vienna. (Ø)

-- End of Conversation --

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