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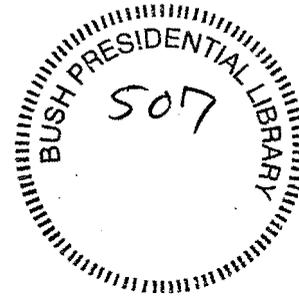
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THE WHITE HOUSE
WASHINGTON



MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Felipe Gonzalez of Spain

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
Samuel K. Skinner, Chief of Staff
Brent Scowcroft, Assistant to the President for the National Security Affairs
David Gompert, Senior Director, European and Eurasian Affairs, Notetaker
Thomas Niles, Assistant Secretary of State, European and Canadian Affairs
Joseph Zappala, Ambassador to Spain
Patricia Arizu, Interpreter

Felipe Gonzalez, President
Francisco Ordonez, Minister of Foreign Affairs

~~Jaime de Ojeda, Ambassador of Spain in Washington~~

Miguel Gil, Under Secretary, Minister of the Spokesperson

Jose Pons, Director, International Affairs Department, PM's Office

Rafael Spotorno, Chief of Staff of the Minister of Foreign Affairs

Jorge Fuentes, Minister Counselor, Embassy of Spain in Washington

Divine McLaughlin, Interpreter

DATE, TIME: April 2, 1992, 11:00am - 1:30pm
AND PLACE: Oval Office

The President: Welcome. Please give my respects to His Majesty. We still haven't forgotten his help and yours at the Madrid Middle East Peace Conference and also I have not forgotten your personal courtesies. I still remember that wonderful dinner we had, just the four of us, Gorbachev, the King, you and I. We had a chance to let our hair down. It was kind of a "Last Supper" for Gorbachev, though we did not realize it at the time.

Well, my friend, the floor is yours. (U)

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President Gonzalez: Thank you, Mr. President. Your efforts over four years have put our bilateral relations where they have never been before. Your vision on international problems has brought more harmony between our two countries than ever. This was most evident during the Gulf War. In Rome at the NATO summit, I was surprised to see that our views were so close with regards to Central and Eastern Europe. In fact, I think American views and Spanish views on that subject are closer than those between Spain and its neighbors. (U)

We are following your political campaign with great interest. It would be a great concern if any thesis were to succeed resulting in diminished U.S. engagement in the world. Thank you for your efforts to improve our relations. I hope we will continue. This is absolutely essential, and I extend to you warm greetings from His Majesty. You are especially welcome in Spain during this 500th Anniversary year. (U)

The President: I wish I could come. I am involved in this crazy election year. I try to be flexible where my calendar is concerned. You are right U.S.-Spanish bilateral relations are in great shape. (U)

It might be useful to start with the Middle East. There have been some troubling signs. We have some real difficulties with Israel right now -- not so much with the Israel but with Israeli government. Our relationship with Israeli government is strained by my unwillingness to provide loan guarantees for their settlements for Soviet Jews. In the New York primary going on right now, my opponents are staking out opposing positions. But I will not change my position. Jim Baker and I take a lot of heat, but we are convinced that if we acquiescence in the settlement policy of the Israeli government it would be a bad signal to those who came to Madrid to talk about peace. The present government is very difficult to deal with, but at least Jim has kept people talking. I would like him to fill you in what is going on. (C)

Secretary Baker: As you know, the last session of bilaterals saw the parties actually begin to focus on substance. This was just the beginning of a substantive dialogue. They didn't really get anywhere, but no one has left the table. Despite the conflict in Lebanon, despite the Israeli military action, today we are announcing that the parties will all be here in Washington on the 27th of April. Finally, the Arabs have given us 10 different locations for bilaterals to continue. I regard both of these developments as positive. We have no agreement yet on where the next bilaterals will take place. The Fifth Round will be here in Washington on 27th of April. The sixth round then is to take place before the 23th of June. But it is doubtful if anything will happen. The Arabs in fact do not want to have that round then because they know that the Israeli election will make progress impossible. (S)

Multilateral negotiations are scheduled for May. This includes the working groups on arms control, on water and environment, and

on economic development. All these working groups will be meeting in May. Syria will not attend the bilateral meetings, and it is not yet clear who the Palestinian representative will be at the multilaterals. We believe that a representative from the European Community should be at the multilaterals. Israel has not yet agreed with some of these particulars. Also, they have not yet agreed to including the EC in the arms control and regional security working group, which I know is of interest to you. (S)

President Gonzalez: We share your position completely. The two most important developments for us right now are peace in the Middle East and stability in Central and Eastern Europe. These are the highest priorities for Europe. Both are very complicated. I want you to know that you can always use Madrid if it will help the cause for peace. I am aware that the process will be slow and unspectacular. Israeli President Herzog was in Madrid this past week to commemorate the 500th anniversary of the expulsion of the Jews from Spain. We had a reconciliation. He warned me frankly that there is a danger coming for the United States and that is Israeli hyper-nationalism. But if the settlements continue I see no way to achieve a territorial settlement. (S)

The President: We've been concerned that some members of the Israeli government are being critical of us. Do you believe that they will try to attack us during the Israeli election? (S)

President Gonzalez: What I know is that Herzog wants to reduce tension. I believe that there is a chemical incompatibility between Shamir and Bush. In the election, the present Israeli government might try to provoke a nationalistic reaction to help them. But this must be offset in Israel by the realization that U.S.-Israeli relations are absolutely critical for Israel. But they are hyper-sensitive right now in Israel. We are willing to lend a hand in the Middle East. Peace is an overriding consideration. We are worried about fundamentalism. Therefore, we believe that a Middle East peace would help more than anything else. (S)

The President: Could you give me your views about Venezuela? Whenever I go to South America, I can see a strong respect there for Spain. You have a unique position there. Carlos Andres Perez has prided himself as being one of the hemisphere's leading democrats. And we respect him. He has been constructive. Even though we sometimes differ, he is very straight with me. While we were worrying about Haiti, CAP's own problems began. My concern is that if this outspoken advocate of democracy in this hemisphere is overthrown, it would be a horrible signal and a horrible thing in its own right. (S)

President Gonzalez: The democratic development in South America is one of the most positive developments of our times. The spreading of democracy and the overcoming of wrong-headed nationalist economic policies has worked. Too much of the GNP had been in the public sector. But in Venezuela, now only 3% of the

GNP is in the budget. Venezuela has gone too far in the opposition direction. The direction itself is correct. Venezuela has been growing at 8% a year, but requirements for a balanced budget prevent social policies. So its a paradox. There are no overall Macro-economic problems. But there are serious social problems, and there is no tool to respond to them. With just 3% of the GNP in revenue, and with the public enterprises producing no profit, there is nothing to work with. Argentina is also suffering from having no tax policies. (S)

This is what caused the coup attempt in Venezuela. I tried to tell CAP of the risk. The military movement can spread to Bolivia. Even Argentina can have political uprisings. There is a tense situation in Argentina; not the military but a political uprising. It has the backing of some military elements. But in Venezuela more than any country, democracy has had symbolic value for decades. (S)

The President: Why is there trouble in Argentina? I've been complacent about Menem. I think he is on the right track. (S)

President Gonzalez: Yes, that is right. Again, it is a paradox. Venezuela was on the right track too. Growth does not prevent a social explosion. It takes time for the benefits of growth to be distributed. So while they have had success, people are hungry. (S)

The Argentine people won't tolerate this. The majority of the people aren't benefitting from the growth in the economy. The Argentine government hasn't treated the last group of coup plotters effectively. There is no control of the old military. Indeed, there is a danger that Argentina might go back to its nationalistic roots. There is a link between social discontent and nationalism, as we have seen before. But this is a political operation going on in Argentina. Not a military coup like Venezuela. (S)

The U.S. is in a good position to talk to the military of these countries and tell them that they will be rejected if they pursue such blind adventures. (S)

There are still some problems in Central America. There is some progress with the police in Nicaragua. I know the Nicaraguan government well: they need to make an agreement with the Sandinistas. The pact with the Sandinistas cannot be broken. So we have to moderate the Sandinistas and also make the military and the police more professional. They have to be reformed since they cannot be rejected. If we have a breakup in Nicaragua between government and the Sandinistas, the effects in El Salvador would be very negative. Within the Sandinistas, there is a split between the reformers and those who reject cooperation. (S)

The President: Are the Ortega brothers divided with, one being in government and then the other not. Are they split, as you indicate? (S)

President Gonzalez: I don't think there are real differences between the Oretga brothers. Umberto is more competent. He wants to play institutionally. Daniel has it tougher. His task is to bring all the Sandinistas together. So he is schizophrenic. He has to walk a tight-rope. (S)

Secretary Baker: I have a high regard for Lacavo. He seems to have political ability. Your estimate of his strategy of cooperation is right. He is pragmatic. Our real worry is that the government will walk away from its base. We have offered to help in two ways. First, with the creation of an independent police force. And second, a reduction of the size of the army. They need retirement benefits. But U.S. law does not permit us to help to provide help in this respect. Can you do so? (S)

Anything we can do to encourage them toward an independent, non-Sandinista police force would be helpful. But we can't continue to provide substantial resources. Congress will cut off these resources unless there is movement to take the police out of hands of the Sandinistas. (S)

President Gonzalez: The plan for reforming the police is not bad. If it works and they divide the police into corps, the influence of Sandinistas will decline. We could complement this. Actually, perhaps we could use our funds to help reduce the size of the army. We are concentrating our reforming the police. Chamorro tells me that she is unsure of Umberto; she says she'll change him, but when? (S)

Secretary Baker: The Sandinistas' past errors are being revealed. So I think Umberto will leave. We are somewhat optimistic on El Salvador, though, of course it could change. (S)

President Gonzalez: I am positive about El Salvador too. We have 120 military officers in El Salvador and we have 138 police officers. We have 1/3 of the UN force there. The most delicate issue is control of the police. (S)

The President: When Duarte was here before he died at Walter Reed he asked me to protect his family and bring them to the U.S. He knew he was dying. How could he have thought the worst of Christiani? We think Christiani has a real commitment to democracy. (S)

President Gonzalez: Duarte thought that D'Ambisson would be the boss, not Christiani. In fact, Christiani would be just a figure head. (S)

The President: We are still committed to the return of Aristide in Haiti because he was democratically elected. But he is a weak reed. The flow of refugees is down, and the returnees have not been mistreated. (S)

President Gonzalez: I don't understand how they could name Theodor Prime Minister. Anything is possible in Haiti. (S)

~~SECRET~~

Secretary Baker: We have supported all the OAS initiatives, not just because it is the OAS but because it seems the best approach to pursue. But now it appears that we are back at the drawing boards. (S)

The President: Tell us what you did recently against the terrorists. (S)

President Gonzalez: We have just conducted an important operation against the ETA and arrested all the leaders. We got good cooperation from France. This will give us a margin of comfort for the 1992 games. Still this is a tough struggle. (S)

The President: Where does Spain stand on Yugoslavia? (S)

President Gonzalez: What happened in Yugoslavia was disgraceful. This conflict could start again. The Greeks need help. Maybe we can think of a new name for Macedonia. When you were in Paris, we had 34 countries signing the charter in Paris. Now we have 50 or more in just 1-1/2 years. This is ridiculous. Where would the end come? I think that Russia will want to expand but will also fragment. In Western Europe, we see a movement toward union and an attraction toward Western Europe from Eastern Europe. And yet in the East, we see a splintering movement. (S)

Secretary Baker: There is trend toward devolution in Western Europe too, even though integration is occurring. (S)

President Gonzalez: There is always a danger of disintegration. In Spain we call it the cry of Cartagena. Mr. President, I received your letter about the new assistance aid package to the former Soviet Union. I very much agree with this, but I think we must be very clear about the conditions. We are worried above all about nuclear weapons. The Ukrainians will not give up these weapons. This should be our first condition. The second condition should be the institutionalization of democratic government. (S)

The President: I agree we ought to use our leverage on the nuclear weapons question. Ukraine wants guarantees that the weapons will be destroyed under international supervision. This seems reasonable. But yes, we should use our leverage. We should insist because we have such leverage. (S)

President Gonzalez: Kazakhstan will not be easy either. (S)

I'm afraid that we won't make progress at the CSCE meeting in Helsinki. This proliferation of European institutions is causing political tension among countries. We need to conduct some kind of a study with these various institutions: NATO, CSCE, WEU and EPU. We are getting very confused. NATO is the best guarantee, so I would begin there. Then ask the question, what does CSCE do? What sense would it make to give CSCE military roles -- since we already have NATO. We have to think this through. (S)

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The President: Let me explain my concern. There has been a proliferation of ideas on the question of military forces in Europe. This causes us problems at home. If the Franco-German force or the CSCE take on the role the U.S. is playing, we can't keep our presence in Europe. We are in a funny climate here at home, and if it looks like Europeans are providing some alternatives to what we have provided it won't work. Kohl says the German people want us, but I am worried about what happens when the last Russian soldier leaves. Our worry is even more fundamental. Conflicting signals from Europe will hinder the ability of a U.S. President to keep our forces in Europe. So I caution my friends. I think this would be a big mistake myself. Who is going to protect Europe -- Byelarus? (S)

President Gonzalez: We are speaking clearly and frankly, so I will as well. Your starting point about the Franco-German corps is wrong, Mr. President. This brigade is not a sign of distrust of the U.S., but an attempt to overcome distrust between France and Germany, though this point cannot be said publicly. We support the Franco-German corps, and we might even participate in it as long as it won't be antagonistic to the Atlantic link. France is always raising jealous problems. But I don't know one single leader in France who would want the United States out. I am worried that we could lose our Atlantic link. (S)

These European movements shouldn't be seen as anti-American. You are needed more than ever because of the instability in Central and Eastern Europe. People have trouble saying we are dependent on you, but yet they admire you. The key question is how to reconcile NATO with EPU. The EC is the most stable element in Europe. EC is a brake against nationalism, including German nationalism. We all have different concerns, but I'm more worried about Morocco than Helmut Kohl is. I am very worried about Maghreb. (S)

Secretary Baker: We have a schizophrenic situation. When we say that there should be a substantial role for WEU as a complement to NATO, we mean it. But the French make proposals at every turn that would diminish NATO to the point that the U.S. presence cannot be sustained. For example, their proposal to make CSCE a new security treaty organization would be seen here as making NATO superfluous. We agree on the need to rationalize the various institutions, but the French are making harmful proposals. (S)

President Gonzalez: Your perception is right. (b)(1)

(b)(1) I propose we avoid all these unilateral theories. We need a group of trusted people to look at NATO, CSCE and WEU and come up with some solutions. (b)(1)

(b)(1) There is a very serious risk. CSCE helped end the Cold War. But the Charter of Paris didn't deal with the new situation we are facing. So very quietly we should get a group together; one French, one German, one Spaniard, one American, and so on. (S)

The President: Before we end, let me raise the Uruguay Round. I think that it is essential that you and I and others remain personally involved. We don't much like the Dunkel draft ourselves, but we can live with it. Now the EC needs to help this process by getting on board. This would be the best thing in the world for the LDCs. It is absolutely essential. (S)

President Gonzalez: My impression is that the problem of how to handle exports subsidies is not very important for Spain. We would be happy with CAP reform because the CAP does not benefit us. We have only one problem, and it's an acute problem which is bananas from the Canary Islands. But we must do what we must. The EC needs time to reform its CAP, and maybe we can't do this by the 15th of April, or even by next April 15. So perhaps if we have found a way to reach more limited agreement and postpone some of these tougher issues. CAP reform would make it easier to have a comprehensive solution in due time. (S)

-- End of Conversation --