

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Afternoon Plenary Session
1992 Munich Economic Summit (U)

PARTICIPANTS: George Bush, President of the
United States of America
Nicholas F. Brady, Secretary of the
Treasury
Robert Zoellick, Under Secretary of State
for Economic and Agricultural Affairs

Helmut Kohl, Chancellor of the
Federal Republic of Germany
Theodor Waigel, Minister of Finance
Jurgen Moelleman, Minister of Economics
Horst Köhler, State Secretary, Ministry of
Finance

Francois Mitterrand, President of the
French Republic
Michel Sapin, Minister of Economy and
Finance
Anne Lauvergeon, Deputy Secretary
General, Office of the President

Brian Mulroney, Prime Minister of Canada
Don Mazankowski, Deputy Prime Minister,
Minister of Finance
Derek Burney, Ambassador to the United States

Guiliano Amato, Prime Minister of the
Italian Republic
Piero Barucci, Minister of the Treasury
Umberto Vattani, Diplomatic Counsellor

John Major, Prime Minister of the United
Kingdom of Great Britain and Northern
Ireland
Norman Lamont, Chancellor of the
Exchequer
Andrew Turnbull, Deputy Secretary, Treasury

Kiichi Miyazawa, Prime Minister of Japan
Tsutomu Hata, Minister of Finance
Kozo Watanabe, Minister for International
Trade and Industry
Koichiro Matsuura, Deputy Minister for
Economic Affairs, Ministry of Foreign
Affairs

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Jacques Delors, President of the
Commission of the European Communities
Pascal Lamy, Chief of Staff to the President
of the EC Commission

DATE, TIME Tuesday, July 7, 1992, 2:30 p.m.
AND PLACE: Residenz - Vierschimmelsaal
Munich, Federal Republic of Germany

Chancellor Kohl: Welcome. We'll have a brief summary of the Heads' discussion and then hear from Ministers Waigel and Moellemann. I want to finish before 5:00 pm. I'd like to thank our guests for their frank, friendly tone. (U)

We want a message of optimism from Munich. We want to concentrate on economics. We all need recovery. It's beginning, but is slow. We need to cultivate the recovery and boost it. We need higher and sustainable growth, low inflation, and to make inroads into unemployment. We need to show confidence. We've had intensive talks about unemployment. We see this as a human problem, not just a statistic. We all want low interest rates, but recognize the specific problems of each of us. We discussed GATT. We cannot negotiate here, but we don't want the same generalities. We want success. I hope the wording will lead to clear perspectives. We discussed drugs, poverty, migration, the environment, debt relief for certain poorer countries, support for Central and Eastern Europe. We discussed the FSU and "help for self-help." We talked about nuclear safety; I hope we can find wording. We have an historic opportunity. (Ø)

Finance Minister Waigel: We're conscious that the recovery has begun, but there are great differences -- and weaknesses. A Uruguay Round agreement would help. We need to bundle different national measures, and keep inflation and deficits down. Unemployment is of a structural nature, and growth alone has limited effects. We talked about the IMF report on Russia. (Ø)

The IMF program foresees a three-phase plan. There will be a first tranche loan. This will be the basis for further debt relief. The cutoff date on existing Soviet debt will be maintaining. There still needs to be all-encompassing adjustment. We agreed on nuclear safety and on G-24 coordination. We discussed LDCs and aid, and the Enhanced Structural Adjustment Facility (ESAF) issue. All these issues are interrelated. There was discussion of the issue of debt forgiveness. (Notetaker was interrupted.) (Ø)

Finance Minister Moellemann: Need to stress (for FSU and Central and Eastern Europe) structural change and modernization. Munich is the beginning of a new structural policy coordination. They need: (1) to reduce subsidies; this helps budget and better use of investment; (2) strengthen competition and deregulation/privatization; (3) strengthen international trade; (4) work on environmental policy. We need to connect the macro and the structural aspects. They need a legal framework for private investors; this demands a positive investment climate and

non-discrimination against foreign investors. There needs to be protection on intellectual property. And improvement of the environment. All this is true for both the FSU and CE/EE; we discussed the latter, too. There should be follow-up through economics and finance ministers with CE/EE in Japan. (Ø)

Chancellor Kohl: Comments? (U)

Prime Minister Amato: In paragraph 8, we could stress employment more; stress training and the use of savings. There is a link here to lower interest rates. (Ø)

Chancellor Kohl: This can be touched upon, but don't lengthen the text. (U)

Secretary Brady: Finance ministers agreed to strengthen the language on growth as an overall objective -- though leaving to each nation to do this in its own way. We should leave no doubt growth is the answer. (Ø)

Chancellor Kohl: Growth and stability go hand in hand. (U)

Finance Minister Mazankowski: We want more language in paragraph 10 on unemployment. Refer to labor market reform. Address chronic structural unemployment. (Ø)

Prime Minister Major: Caution. We want more growth, less unemployment and training. But I have a reservation: What are the two energizers? (1) Lower interest rates and (2) the Uruguay Round. But we have nothing to say on either. We can say what we want, but there's no progress on ways to deliver. The opposition will point to fine words; we should be able to point to something tangible. Can't lower interest rates for reasons we all understand. Nor can we expect a breakthrough in the UR. So we can't say no to business at home to be confident. The disjunction between what we say and what we can achieve is stark. (Ø)

-- End of Meeting --