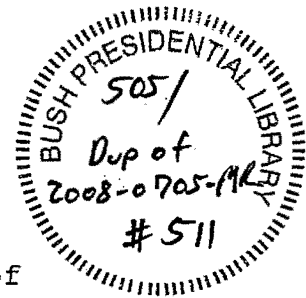


THE WHITE HOUSE
WASHINGTON



MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Chancellor Helmut Kohl of Germany (U)

PARTICIPANTS: The President
The Vice President
James A. Baker, III, Secretary of State
Brent Scowcroft, Assistant to the President for the National Security Affairs
David Gompert, Senior Director, NSC Staff
Notetaker

Helmut Kohl, Chancellor
Peter Hartmann, Security Advisor to the Chancellor
Walter Neuer, Director of the Chancellor's Office

DATE, TIME AND PLACE: March 21, 1992, 11:50am - 4:00pm
Camp David

The President: Helmut, it is a pleasure to have you here. We could start with our bilateral relationship if you like, or we could talk about G-7 issues. Of course we have to get to the GATT. (U)

Chancellor Kohl: Thank you for this hospitality, George. We appreciate this quiet talk in these turbulent times. My fingers are crossed for you. (U)

The President: I think things will be alright. The big problem is the slow economy. (U)

Chancellor Kohl: We have the same phenomenon in Europe. Let's be frank. Let me describe the situation in Europe for you politically. Within three weeks there are important elections in the UK, France and Italy. I think that John Major will get a majority. (U)

The President: I hope you are right. (U)

Chancellor Kohl: Your concerns about the other man are justified. But the voters will prefer Major. The Tory party is not so popular. The question is whether personalities will emerge as more important than party politics in the final weeks. On the basis of personality, John Major is certainly more

popular. (b)(1)

(b)(1) (S)

The President: (b)(1)

(b)(1) (S)

Chancellor Kohl: (b)(1)

(b)(1)

(b)(1)

I will help John Major if I can. (C)

The Italian elections are on April 5. They are even more difficult to predict. The reason is that there is a general grass-roots movement against the parties. Cossiga has started this himself from the presidency. I think the federalist element within Italy is going to be strengthened. I welcome this for Europe. It's what we have in Germany, of course, and I think things will be moving in the same direction in other countries. (C)

Jacques Delors told me that France also has to move toward federalism. He said that to me in Paris, of all places. The new generation won't accept one-person rule. Life is more complex, too complex for one person to command everything. So highly centralized government is going to become more difficult. Take Italy, where northern and southern Italy are so vastly different. So there will be pressures to try to put things more on a local basis. (S)

The President: What is the view now in Europe about the Alliance and the EC? (S)

Chancellor Kohl: I am coming to that. The Italians pin their hopes on the regions of the EC getting more rights for their region. This won't change the foundation of Italian politics, but it will lead to changes within Italy. (C)

Now, as far as the French elections tomorrow are concerned, these are only regional elections but the implications are significant. Because of their proportionate representation, the French elections give an accurate view of the various segments. So it is going to be very interesting. (C)

The President: I understand that Le Pen on one extreme and the Greens on the other are going to become stronger. (C)

Chancellor Kohl: The most significant result will be the heavy losses experienced by the Socialists. These are just my predictions. I think the Socialists will be down to 20%. Chirac and Giscard together will be around 32-35%. Communists 8-10%. The Greens 12-14%. Incidentally, Mitterrand never believed me when I told him to keep his eyes on the Greens. So now we have two Green parties in France. They are a bit at odds with each other. (b)(1)

(b)(1)

Then there is Le Pen. It is

hard to predict, but my guess is that he will get between 12 and 15%. Its all too easy to say that they are neo-Nazis. They are really populists. They complain about taxes; they complain about Algerians, they complain about anything else that people are upset about. They even complained about the new hunting rights. Le Pen protested a new law affecting the hunters. They appeal to this kind of thing, now he has all of the hunters on his side. Matters like the future of NATO are absolutely irrelevant to people like this. Le Pen is simply a crucible for discontent.

(b)(1)

If the election turns out as I suspect, there is going to be a big hangover on Monday morning. There will be a second round in another eight days, but it won't change the outcome. This will bring down the current government. Then who comes in? Delors is a possibility.

(b)(1)

(b)(1) So things are shaping up in France as Chirac vs. Delors. (S)

I think it will be hard for Mitterrand to stay in power for the next 2 years.

(b)(1)

(b)(1) (S)

Now in Germany, on April 5 we have Laender elections. In Schleswig-Holstein and in Baden-Wuerttemberg. These elections won't be too easy, but not too difficult either. I'm really looking ahead to 1994. We are seeing incredible changes taking place in Germany. We've already privatized 3,000 of 6,000 of the East German state firms from the communist system. This has been an enormous undertaking. (S)

From 1949, when we launched the Marshall Plan, to 1953 before we landed on our feet, it took a good four years. Then, the only support we got was the money from you. So in a way, the East Germans have it easier. We are giving enormous support. Psychologically, however, it's different. After the war, all of us Germans were in a bad situation. Today, we have a sharp contrast between wealth on one side of the street and poverty on the other. Let me tell you an anecdote. I was in a village in the East recently. They used to have one telephone for every 200 flats. Now, the Deutsche Bundespost has installed as many telephones in the former GDR in one year as they had installed in all prior years. But now those without phones are much more resentful than they use to be. That is the paradox. (S)

I think that in another 3 to 4 years everything will be okay. Our economy is difficult now, but we are still growing at 2%. The growth of the new Laender is at 10%. Inflation will soon be brought down under 4%. A big problem is unemployment in the new Laender. But the greatest danger of all that I face is the fight that I have with the trade unions -- both public and private sector unions. This is the toughest battle in 10 years. Right now I am having the most difficulty with the public sector. They want a 9% wage increase and I am offering 3.5% which is roughly the inflation rate. So we may have big strikes in store for us. But I won't retreat. (S)

The President: Is the SPD against you on this? (S)

Chancellor Kohl: Well they say yes and no. But they will certainly blame me if there are strikes. The situation is somewhat like what we had before the Pershing missile deployment. With people out in the streets, the question is who is in charge? Will it be the will of the streets that prevails, or is it the government? There is a principle involved. (S)

The President: Tell me about the changing perceptions in Germany about U.S. troops and NATO. (S)

Chancellor Kohl: Actually the latest opinion polls look better than 1990. We now have a clear majority in favor of maintaining a U.S. presence. When the question is asked who is the most important guarantor of German security, 58% said the U.S., 18% said France, 8% said Britain. The question is then asked should the Americans stay? The clear majority says yes. Of course, there will always be local complaints; but now even at the local level there is more interest in maintaining the presence. Foreign troops in Germany have been declining so fast that it has had a local economic impact. If you can believe it, the mayors come and tell me that they want compensation for this. (S)

But George, I think it would be foolish for you to leave. I think it would not be in your interest. To be frank, I can understand you want to reduce but it would be a mistake for American interest to withdraw completely. (b)(1)

(b)(1) Europe is becoming more important for Americans, not less. (S)

Now let's turn to the GATT. We have some notes and some ideas we developed on the airplane that I would like to share with you (paper attached). The first point I would make is that we can't negotiate here. The second point is that we in Europe all want an agreement. As you will see from our paper, there are three problems, export subsidies, cereal substitutes -- which just cannot be unlimited -- and income supports. We have to come to some form of agreement. I have been preaching this message to Mitterrand lately. This paper reflects where we are in Europe. I think it reflects the view of people like John Major. Apart from the official talks, our people need to get to work on this. Feiter is up on all of this, in fact, he is now in Washington

talking to one of your people. Let's face it, we can forget about the developing countries if we cannot get a GATT agreement. (S)

The President: We want to get a deal done. It is in everybody's interest. But I have political problems here too. Let me show you the charts I have that illustrate the problem. What we have to do is figure out how to bring this to a conclusion. We have proposed a "safe box," so that you could now introduce the new payments. We have been very forthcoming on this. It's a major American concession. (S)

But we have trouble on corn glutens, on rebalancing. The fact is that it is the only thing that sustains our exports. So this will be very tough for me politically. (S)

Chancellor Kohl: We are not asking for cuts. You have a problem with our wheat exports. But we have a problem with these cereal substitutes. We are only asking for a freeze at the current level. (S)

Secretary Baker: Let me summarize our problem. We are trying to find a way to bridge the differences. But different EC members seem to have different interests. (S)

The Dunkel paper is public. Even that was barely acceptable to us. It has formed a base line. It is hard for us to walk away from that now that we have been forthcoming on the "safe box," which we understand is good for Germany. The EC would avoid any cuts on internal supports altogether for two years. We have also offered just to put off internal supports. This is a one-sided agreement. If we do that, we have no flexibility on export subsidies. Your paper doesn't even address what we have done. We made a significant proposal which we understood to be important to many members. We have also suggested that we defer any action on internal supports for two years, as long as we agree to negotiate the reductions by the end of two years. We can't move away from the Dunkel text on the level of subsidized exports. (S)

Chancellor Kohl: I want to make clear that there is a single European position -- not just on GATT but on other matters. What I don't understand on the second point is that we are not asking for reductions but for a freeze. For us the problem is that we are going to be reducing our export subsidies and getting nothing in return. (S)

Secretary Baker: David, would you like to explain the problem. (U)

David Gompert: Mr. Chancellor, the negotiators of the EC Commission have made it clear to us consistently that the EC's highest priority is internal supports. We have therefore, as the President and the Secretary have explained, worked vigorously and have made significant concessions to address what we have understood to be the highest priority. As a consequence, we have laid out a plan that would permit the EC to implement its new

program of income supports under a GATT agreement. But having made these moves in response to the EC's stated priorities, we are in no position now to offer further concessions. (S)

Chancellor Kohl: Let me think out loud. What if we were to find a system whereby we tied a certain level of wheat exports to your level of exports to the EC of cereal substitutes. If we were to have deeper cuts in wheat exports, this would affect the level of cereal substitutes. This would be a flexible formula, providing a linkage between the two. The nightmare is that we would reach an agreement on a reduction in exports only to find ourselves faced with a flood of noncereal imports. (S)

The President: Perhaps we should leave things at this. I have to be guided by my experts. I am not really ready to talk about this kind of detail. (S)

Chancellor Kohl: I understand that completely. I just wanted to offer some specific ideas to make it clear that I am personally committed. I could leave Feiter in Washington or I could send him back. (S)

Secretary Baker: I would just like to make clear that even if the President were to determine that we could look at linkage of the sort that you suggest, it would have to be based on an export subsidy level close to the Dunkel paper. We cannot give up on all three of these issues. We can be thinking about all of this. (S)

Chancellor Kohl: Well, we will have to examine where we go in the next 3 or 4 weeks. We need to try to reach agreement by the end of April apart from the official talks. (b)(1)

(b)(1)

(b)(1) The experts have their own vested interests. You and I are not experts. We have to make the decisions. Perhaps the most intelligent course would be to have Feiter come back to Washington. We will get in touch with Brent about this. (S)

The next issue we need to talk about and need to cooperate on closely is the environment. This is a big political issue in all of our countries. I don't want us to meet in Munich with a detrimental effect from this issue. We have to cooperate closely. I have another paper I just want to leave with you (attached). (S)

The President: Our experts are talking on this and they should continue talking. I believe that there are some areas in which the U.S. and Germany are moving together, such as forests. Now, I have to say that we have a major problem with this Rio Conference. Given my schedule and the campaign I can't commit at this time and I certainly I am not going to commit to things that will halt our economy. Maybe our experts can resolve these problems. But we don't want a big bill at the end of the day.

We will continue to work in the run-up at this UN meeting. The U.S. and Germany should work very closely together on this. This conference is at a bad time for me politically. (S)

Chancellor Kohl: As a friend, George, my advice is that if we prepare for the Conference carefully, we can get a partial victory; then you should definitely go. This environmental subject has real appeal. With regard to the management and preservation of forests, I think we will be in agreement. There may be a problem over finances especially from the Third World countries. But the question is whether there can be compromises in certain areas. If we don't go, we will definitely be attacked. We should have something to show up for. (S)

The President: How long will it last? (U)

Chancellor Kohl: Three days, but actually I think I will be able get it done in two days. (U)

The President: Well, we are talking about it. I've told Collor that I may have problems with the timing. I agree that it is a good political subject. But I can't go to Rio and get myself embarrassed because we can't satisfy the demands of the LDCs and the environmentalist advocates. We have a particular problem with global warming commitments. All things being equal, I would like to go, but I need to see more results from the working group first. If I am not there, you can always blame things on me! (S)

Chancellor Kohl: Well, you know that we can play different roles. In fact, I think we could play the ball for you from Europe. I'd do that for you if you would like. Politically, I think those who want to save what God has given us will do well. (S)

The President: Maybe so, but not if I am criticized by accepting far-out proposals. I also think that it is important that the World Bank has control over the cost. (S)

Chancellor Kohl: I think it will be about \$3 billion but the timeframe for this \$3 billion is not clear. I definitely want to avoid having the U.S. and Europe on two different sides. (S)

The President: I want to avoid the same thing. (U)

Chancellor Kohl: Now with respect to the G-7 summit itself, I think the Sherpas are doing okay. We can always talk if there is a problem. (S)

The President: Yeltsin ask me to discuss this with you. Can we do something like we did with Gorbachev? (S)

Chancellor Kohl: I will be open with you about this. I will tell them that I will decide in a few weeks. I won't decide now. I have a concern about the CIS. The Kiev conference looks like it was a failure. What do we do in May if there is no CIS? (S)

The President: Well, I think in that case we have to deal with Russia. (S)

Chancellor Kohl: Yes, but what about Kravchuk? (S)

The President: That's true. And Nazarbayev? (S)

Yeltsin is very sensitive to comparisons to Gorbachev. I'm not arguing this one way or another. We may want to have him come afterwards as Gorbachev did. He may want to be there for the whole time. (S)

Chancellor Kohl: But George, he is going to ask you for money. (S)

The President: He already has. (S)

Chancellor Kohl: But at Munich his request will be much more dramatic. (S)

The President: I'm not sure what we will do if he comes with a huge demand. (S)

Chancellor Kohl: And the problem for me is what will I do about Poland, Czechoslovakia, Hungary, Bulgaria, Romania. I say let's decide this in late April or early May. (S)

Secretary Baker: The longer you wait before deciding this, the better. But it is important to begin to develop criteria as a host between Russia and everyone else. Maybe you could say that as Russia joins the IMF, the size of its economy is the basis for their inclusion. This might have some potential. (S)

Chancellor Kohl: I don't think so, not at the rate their economy is going. We don't even know what's left of their economy. (S)

(Conversation resumed over lunch, participants were the same.)

Secretary Baker: Let me ask about the four-power proposal the French have made. We have resisted because of you and also because of the Italians, who have been vehement. The President told Mitterrand that it would be okay for us to proceed. But then we proposed that this be done at the Under Secretary level and only once. Now the French are still pushing for ministerial level. (S)

Chancellor Kohl: Let me give you a frank answer, Jim. Do whatever you want. (U)

The President: I tried to help the man by giving him something on this. I made him an offer. We offered to compromise, and now I am told that he is upset with our offer. (S)

With regard to the CIS, I spoke with Ter-Petrosian on Nagorno-Karabakh this morning. They want a three-way group: Armenia,

Azerbaijan and Nagorno-Karabakh. We will be supportive at the CSCE meeting. Ter-Petrosian says Turkey is not being fair. We think the Turks are in fact being fair. The Armenian and Turkish Foreign Minister, Cetin, have had good talks. (S)

Chancellor Kohl: I view CIS developments skeptically. There is a danger of these republics drifting apart. This will have big effects in the economic and security fields. Their economy can't work. For 70 years, there was a centralized economy which devised a division of labor among the old republics. One republic provided coal, another one provided wheat, another one provided tanks. I don't know how they will manage if they split up. Another big problem is that their nuclear power plants are in terrible condition. Even within the republics, you've got these tendencies for splitting up, such as Crimea and Tartarstan. We have to try to help them. We have to give them advice and new structures. It is very much in our interest to do so. I understand that there are 20 reactors that are worse than Chernobyl. (S)

The President: There is not enough money in the world to take on that problem. I am told that the technology is so bad that many of these reactors are not worth fixing. (S)

Chancellor Kohl: I told Gorbachev not to speculate about things getting worse and he has been pretty good about it. We do hope for the success of Yeltsin. (S)

Secretary Baker: I spoke with Shevardnadze recently. He is going back to Georgia as the new leader and he would like to set up diplomatic relations with us. (S)

Chancellor Kohl: On the Middle East I have to say that you risked a lot last year and now it is very important that we don't see you lose the peace. (S)

The President: Let me discuss Iraq and then the Arab-Israeli problem. On Iraq they continue to cheat but now they are moving in the right direction again. There is still good support based on international insistence that they comply with the resolutions. So we have to keep the sanctions in place, and we have to keep the pressure on. When King Hussein was here, he said he was supporting the sanctions and the embargo, but they have a very leaky border. We will have to make Saddam Hussein comply. We could use force if need be but we certainly hope we don't have to. On the Arab-Israel front we are still talking. The Israeli hardline positions on settlements are counterproductive. (S)

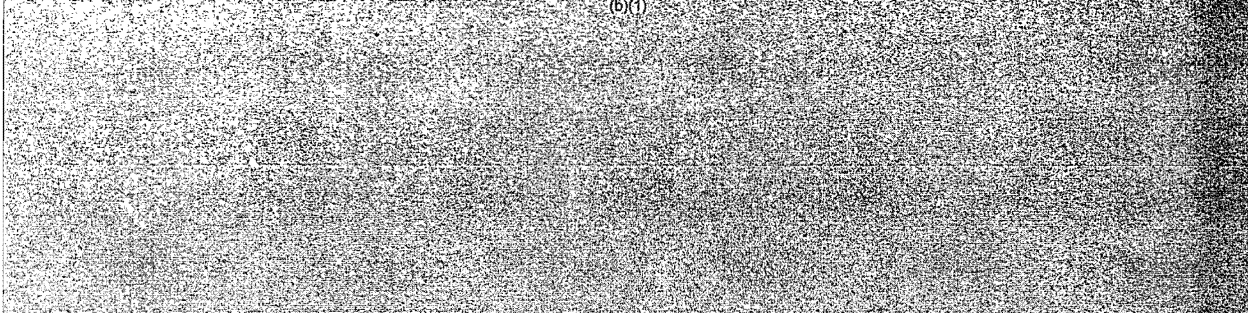
Chancellor Kohl: [REDACTED] (b)(1)

(S)

The President: Listen, I take great pride in the level of Jewish immigration to Israel. The American people support us on the

housing loans by a factor of 80-20%. How are your relations in general with Israel? (S)

Chancellor Kohl: Quite good. I have helped to get a lot of them out of the USSR, and I helped them on other issues. (b)(1)

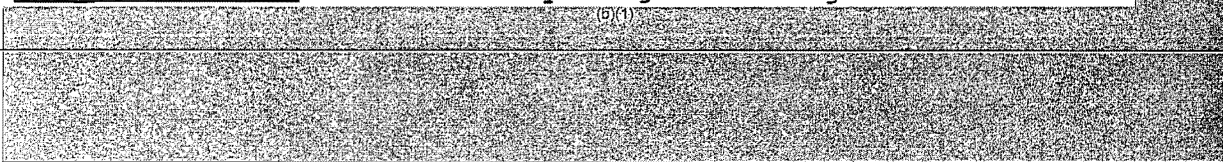


Secretary Baker: I am not sure that is right. I've heard that the newest immigrants from the former USSR are backing Labor because they believe that the policies that Likud has pursued are making it more difficult to bring more Soviet immigrants. (S)

Chancellor Kohl: I hope you are right. (U)

The President: We are also worried about Algeria and the Maghreb. (S)

Chancellor Kohl: Yes. Everything is moving in the world. (b)(1)



The President: (b)(1)



Chancellor Kohl: What about Iran? (S)

Secretary Baker: We got a message recently that they wanted to have a discussion of economic relations on the side. Our response is that we are prepared to discuss everything on a formal basis, but we will not have a discussion of economic issues unless we talk about political issues, too, especially the question of state-sponsored terrorism. (S)

Chancellor Kohl: I'm told that there is a concern here about Germany's policy on terrorism. I want to tell you that there is absolutely no intention to change our position on the Hammadi brothers. I want to be clear. I will not be blackmailed. (S)

The President: That's good. That will be well received here. (S)

The President: What is your view on Yugoslavia? (S)

Chancellor Kohl: I think we are getting close now but the name Macedonia is still a problem. (S)

The President: Mitsotakis called. (b)(1)

I said that we cannot give that much time. So the idea is that in early April we will go forward with Slovenia and Croatia and we should both recognize Bosnia. Then we should ask the Greeks to work out the problem with Macedonia. (S)

Chancellor Kohl: I want to help Mitsotakis with the name. (S)

Secretary Baker: The Portuguese are trying to broker a deal. They are making a very good effort. They are exploring the question of the name. (S)

Chancellor Kohl: I would like to help him but I cannot postpone this for six months. That said, it is important that we stabilize Mitsotakis' government. (S)

The President: I agree. Mitsotakis is very important. (S)

Chancellor Kohl: On South Africa, we have to find a way to help de Klerk. (S)

The President: I agree. I think we have only one sanction left which is legislative. Otherwise we will want to lift all sanctions. (S)

Chancellor Kohl: Is the question of your troop presence a divisive political issue here? (S)

The President: No, not too divisive. The Democrats want to cut the defense more than we do, and they will propose substantially fewer American troops in Europe. But I don't think that the American people will take this view. We have proposed forces on the order of 150,000. (S)

Chancellor Kohl: It's our feeling that it would be foolish if the Americans left. We don't need to get into the figures here, but a symbolic presence would make no sense. You need to have a militarily significant capability. I am convinced there will be more dramatic change in Europe. Within another nine or ten months, we will have a single market. It will have an enormous effect: 380 million people in one market. In 1995, Sweden, Finland, Austria, and probably Norway will enter. I believe by the end of the century Switzerland will, too. Then there may be a break before Poland, Hungary, and Czechoslovakia come in. Not this decade. In this situation it is important to have an American physical presence in Germany and in Europe, but the rest of our relations should also be enlarged. This is why I am proposing a German-American Academy of Sciences. I think this German connection, George, could actually help you with the election. You can use it to show that the United States benefits from your foreign policies. I am convinced that within European integration, the French will gradually change their position in

NATO. You can feel that with Mitterrand. The Franco-German corps is moving in that direction. If Chirac or Delors becomes the next president we may have new opportunities. I am prepared to let the optics go in one direction as long as the real developments go in the other direction. But this is no reason to diminish the U.S. presence. We should have more links like cultural links. We should recognize each other's diplomas, for example. (S)

The President: With regard to the troops, I will make a strong case. It would be helpful if you say while you are here that it is important to have this presence. (S)

Secretary Baker: From our perspective, the French attitude toward NATO is not helpful. Bear in mind that the political debate in the United States could turn toward bringing the boys home. If it appears that elements in Europe don't want or don't count on our presence it could become a self-fulfilling prophecy. Whenever we advance ideas about NATO, France is always negative. Maybe this is just left over from the past, but it makes things very difficult. We have to renew NATO because without NATO there will be no U.S. presence. Yet we always get French resistance. (S)

Chancellor Kohl: This is true, and its clear to all of us. (U)

The President: How will this French-German corps work? Will it be NATO-assigned? And what about the Hades missile? (S)

Chancellor Kohl: The German part of the corps that has been NATO-assigned will remain NATO-assigned. We think we know what is going to happen over time. This will work out. (S)

The President: Will tactical nuclear weapons be assigned also? (S)

Chancellor Kohl: Hades is a big issue. In my own party, there was a big flurry about it. But I don't want to raise this issue. (b)(1) It is of great cost and no value. It can only hit Germany and Poland. (S)

The President: But if people here see developments outside of NATO, they'll say we're not needed. (S)

Chancellor Kohl: The world has changed. Not long ago, FOTL was the issue. Thatcher attacked me for weakness. Now the first issue of the NATO summit was food aid to the CIS. From Lance to food aid to Russia. Jews were not getting the food. A German general solved this. (S)

Secretary Baker: In CSCE, we are stressing all three baskets and don't want to lose flexibility. We are face to face with the French proposal for a European security treaty. We don't support it; it would be counter-productive with NATO. It also implies security guarantees all the way to the Chinese border. We think

the U.S. and German views are same. It is directly related to U.S. presence. (S)

Chancellor Kohl: Europe shouldn't underestimate American strength. Germans will be the last to do so. We underestimated you twice in this century and won't make that mistake again. (S)

The President: There will be no turning inward. We'll stand up for our presence there. (S)

(Following lunch and the departure of the Vice President, Secretary Baker and David Gompert, discussions resumed.)

PARTICIPANTS: The President
Chancellor Kohl
Peter Hartmann
Brent Scowcroft

DATE, TIME March 22, 1992, 3:00 - 4:00 pm
AND PLACE: Camp David

The President: We have not talked much about what to do for the CIS and how to do it. (S)

Chancellor Kohl: We must maintain differentiation between two things: what they need to do, and what we need to do. They have to help themselves. ~~They must adopt their own political course without coming under our tutelage.~~ The Baltics are now independent. But they belong together. It would be a tragedy if they set up separate systems for currency, customs etc. Here is an easy but typical example. The Scandinavians set aside \$100M for the Baltics. We will also help, but the Nordic states are in the best position to help without arousing fears of domination. It appears that things are going badly between Russia and the Ukraine, and also with the Central Asia Republics. (S)

The President: They all call me trying to establish separate status with us. (S)

Chancellor Kohl: Yes, but they have no idea how to build separate economies. The international financial institutions should be the basic means for helping them, because Germany is at the ceiling of our bilateral aid. (S)

The President: We are nearly at the same point. I wanted to talk to you about the GAB. Nick Brady says that it is set up for just this sort of thing. What more reform do they need to do before we offer a stabilization fund? (S)

Chancellor Kohl: They have to know what they want. Yeltsin wants to move fast. Kravchuk is moving more slowly. We can be of most help in providing technical know-how. But there are many advisors there now and there is no coordination. We should improve this. This is very important. We also should improve

our coordination within the international financial institutions. Maybe we should use the Sherpas for this. (S)

The President: We agree with you. Russia needs to move on privatization in sectors such as energy. They just don't seem to move. There is almost instant hard currency to be made there. We agree on the international financial institutions, and we will try to get IMF replenishment through Congress. This is a bad year for it, but I sense that there is a better mood on the necessity to help CIS. (S)

Chancellor Kohl: I recognize your problems here. But can't you just point out that this is a repetition of 1945? We must also agree what points to make with the press and what remarks you think useful for me to make here. (S)

The President: Clearly, we should say that more reform is needed. You could say that the U.S. is determined to do its part. (S)

Chancellor Kohl: No, I just want to help and I am thinking out loud. I wonder if I should say today is like 1945, when Germany was in terrible shape. We received your aid and became a flourishing democracy. Its an easy point for me to make. (S)

The President: I think we should make clear that we are supporting Yeltsin. That Hoagland piece was very damaging. (S)

~~Chancellor Kohl: Yes, even Gorbachev says so. On aid, I think our Sherpas can go over the ground-work. Koehler is my man on this. (S)~~

The President: Zoellick is mine, and we have great confidence in him. (S)

Chancellor Kohl: Perhaps the two can get together. (U)

The President: The press will yell about Yeltsin coming to Munich. (S)

Chancellor Kohl: That is not a problem. The question is not just Yeltsin, but G-7 coordination with the Commonwealth. (S)

The President: Yeltsin will expect something. (S)

Chancellor Kohl: Yeltsin will participate one way or another. (S)

The President: The more forthcoming the better, but not in every meeting. (S)

Chancellor Kohl: I will call him on Monday. (U)

The President: That is all you need to say to the press. (U)

Chancellor Kohl: We could also say that we will be discussing this with all the others. (S)

The President: Good. They are all competing with each other in CIS, especially Kravchuk. (S)

Chancellor Kohl: Kravchuk will immediately say how about me and so will the East Europeans. (S)

The President: Maybe we can find some rationale having to do with the eight largest economies. (S)

General Scowcroft: That might include the Chinese. (S)

The President: Maybe we could point to the eight largest democratic states. Otherwise we will dilute the G-7. (S)

Chancellor Kohl: The summits have become distorted. We discuss every topic supposedly and spend most of our time on a communique we haven't even read. (S)

The President: What can we do about it? (U)

Chancellor Kohl: I plan to send a letter to the G-7 along these lines. Let's get a list of issues so we can really discuss them, and not just read the old and new testament to the press. (S)

The President: Yes, the press looks for a discussion. Who is up and who is down. Maybe we should not even have a communique. It's too bureaucratic. (S)

Chancellor Kohl: Mitterrand thinks the same way. I think Major and Mulroney also. (S)

The President: I think the Japanese might have a different view. This is the only forum for them. (S)

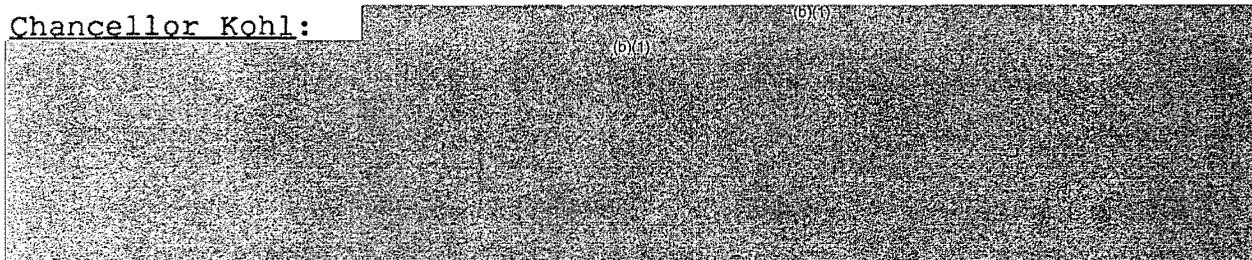
Chancellor Kohl: I like the Japanese Prime Minister but that should not affect this. (S)

The President: Why don't you send your letter to the rest of us? What will you do about expanding the EC? (S)

Chancellor Kohl: There will be a natural limit in 1995. We will have Austria, Sweden, Finland and Norway. (S)

The President: What about Turkey? (S)

Chancellor Kohl:



Apart from Great Britain, the most natural partner for the U.S. is Germany. We are very close together, our ideas about the

economy, religion and so on. Having the U.S. as a close partner will reduce fears of Germany in Europe. Close U.S.-German relations will not arouse fear from the smaller countries of the EC. So after the elections, we should talk we could do on a long-term basis. Many Americans are already thinking along these lines. They also observe how our new Laender are being transformed. Our cooperation should go beyond the military. We could also help you with Japan. Now about Kinnoch, it wouldn't change much in the EC. It's mostly talk. (S)

The President: Isn't Labor more inclined toward integration with the EC? (S)

Chancellor Kohl: Not really. Thatcher gave that impression. The British problem is like ours and France's. We have put an engine on a track. Then we include countries who try to change track, but the train goes right on. At the practical level the changes are already taking place. In industry we already have European entities. Nestle and Agnelli are fighting for Perrier. All the companies, including American companies, are already integrating. This is the reality of what is happening. There is no way to retreat from Maastricht. If I were American, I would put all my eggs in this basket. (S)

Perhaps Feiter can come to Washington again on the 30th. I am convinced that we could find a solution. The biggest problem is rebalancing. We can't leave this to experts. We can let them do what they can. I am not negotiating, but we should conclude this by the end of April. ~~Therefore we must compromise. I will discuss this with my colleagues.~~ (S)

The President: Should we say that our experts will meet? (S)

Chancellor Kohl: No. I don't want to relieve the Commission from its responsibilities. We need a GATT agreement in order to boost the world economy, and this is better than aid for the Third World. Let's call each other whenever it may be necessary. (S)

The President: Rebalancing is a big problem for us. It is a big step back from free trade. We gave on the "safe box." We will try but it will be very tough. (S)

Chancellor Kohl: I understand. Let's continue to talk. Is there anything I can say to be helpful to you? (S)

The President: Well, no one is really focused now. Perhaps around the time of the summit. (S)

Chancellor Kohl: What are the themes that the Democrats are using? (S)

The President: They say it is a time for change, and they also say they can fix the economy. The only chance for the Democrats is if the economy turns down again. The Democrats will say they can cure and turn around the economy. (S)

Chancellor Kohl: Are you saying that foreign policy will play no role? (S)

The President: It will in the Fall. And our role in the global economy will be important. Also people are now asking, without the Soviet Union, why do we have NATO? And why do we need military strength? But this will change in the fall. I feel confident. But it is an ugly period. But the economy will improve and dilute the Democrats' arguments. Foreign policy will assume its rightful importance. (S)

Chancellor Kohl: Who will his vice presidential nominee be? (S)

The President: I don't know. Not a Southerner. He needs California. Maybe Cuomo, even Tsongas? (U)

Chancellor Kohl: Would Cuomo accept the Vice Presidency? (S)

The President: Maybe not. But he is the governor of a big Northeast state, and that would be good for them. (S)

Chancellor Kohl: There is one more important point I want to make. I will be coming to make a speech in New York in May at the American Newspaper Publishers' Association. Who should I talk to discreetly? Obviously, I will discuss unification and all the Presidents who have helped Germany from Truman to Bush. Then I can really set out what you did for us. (S)

The President: That would be very helpful. I would say, talk to Sulzberger. (S)

Chancellor Kohl: I would like to talk quietly to someone on your staff and coordinate ideas. (S)

The President: Talk to Brent. (U)

General Scowcroft: I can work with Peter on this. (U)

Chancellor Kohl: What should we say to the press? (S)

The President: Do I have a statement? (S)

General Scowcroft: Yes, you have an outline of what was discussed. (S)

-- End of Conversation --