

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Luncheon Meeting with Jacques Delors,
President, European Communities Commission
(U)

PARTICIPANTS: The President
James A. Baker, Secretary of State
Clayton Yeutter, Secretary of Agriculture
Robert Mosbacher, Secretary of Commerce
John H. Sununu, Chief of Staff
Carla Hills, United States Trade
Representative
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert Gates, Deputy Assistant to the
President for National Security Affairs
Thomas Niles, Ambassador-designate to the
European Communities
Deane Hoffmann, NSC (notetaker)

Jacques Delors, President, European
Communities Commission
Sir Roy Denman, Head of Delegation of the
Commission of the European Communities
Horst Krenzler, Director General for External
Affairs, EC Commission
Pascal Lamy, Chief of Staff, Office of the
President of the EC Commission
Claus Ehlermann, Spokesman, EC Commission
Nicholas Van der Pass, Counselor to President
Delors (notetaker)
Edward Olszyna-Marzys (interpreter)

DATE, TIME June 14, 1989, 12 noon-1:00 p.m. EDT
AND PLACE: Roosevelt Room

The President opened with a few words on his trip to Yellowstone National Park and Nebraska. His environmental message was getting good reception in the United States, the Canadians were pleased, and some European countries had reacted favorably. He wants to work closely with the European Community on this issue.
(U)

President Delors said the environment would be discussed at the Economic Summit in July. (U)

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(U) 8/21/2009

Clayton Yeutter mentioned ethanol and said that this might be helpful both in Europe and the United States; it could also give some relief to surplus corn production. (U)

Horst Krenzler asked if ethanol was economically viable. (U)

Clayton Yeutter said that with adequate research it might be viable by 1995. (U)

The President asked if the European Community had a stake in the German elections. (Ø)

President Delors said it was important that Kohl receive backing so that he could be a strong leader until the end of 1990. Kohl reinforces the goals of the European Community. (Ø)

The President asked how a major swing away from the Christian Democrats toward a more liberal government might affect the European Community. (Ø)

President Delors said a more liberal German government might want to work toward an Atlantic to Urals European Community. (Ø)

The President asked what a more radical regime in West Germany might mean for German economic issues such as trade. (Ø)

President Delors said there would be no change. In terms of security, he said if EC '92 was successful there was no chance that a radical German government could divorce itself from the allies. (Ø)

The President said there was much interest on Capitol Hill in EC '92. We must do all we can to have proper consultations, such as at the Cabinet level, on economic issues. (U)

Clayton Yeutter joked that EC 92 was the best mechanism we had for job creation in Washington. (U)

Secretary Baker asked what Delors' views were on monetary union. (Ø)

President Delors outlined Thatcher's opposition. He has no solution to the problem with her. (Ø)

Secretary Baker asked how the French felt about a common central bank. (Ø)

President Delors said Mitterrand was in favor of this, but that France's Finance Minister might disagree. There was much to do on EC 92 so that monetary and economic union must not be added to an already full agenda. (Ø)

The President said we are united in our view for success in the Uruguay Round and pointed out that agriculture is a subject of

keen interest. We must make progress. (U)

President Delors said if the Uruguay Round were not successful it would not be possible for the EC to meet its '92 objectives. It would be a contradiction for the Uruguay Round to fail and EC '92 to go forward. Agriculture was very difficult; there are 9 million farmers; these farms are crucial for the fight against "desertification." The EC is moving away from subsidies to income support payments, but only in a small way at this time. (Ø)

Secretary Baker asked at what point the move to expand income support would become politically difficult. (Ø)

President Delors said this is already a problem. The French small farmers refuse subsidies. (Ø)

Clayton Yeutter said that is why it is important for the EC to link income supports to the environment. (Ø)

The President said the purpose of the Super 301 process is to open markets, not to protect. (Ø)

President Delors said he understood that the Super 301 action was meant to convince Japan to be more forthcoming. He said he understood our problems with Congress on Super 301. (Ø)

Carla Hills said we would use the 301 leverage to push progress in the Uruguay Round. (Ø)

The President said we have rolled over on trade issues. We have been deprived of market access, and it has cost us a lot. As Vice President, he had seen the Japanese make promises but nothing had happened. We must enforce the laws on our books and use them to gain access. It would be a serious mistake to misunderstand the mood in the United States. (Ø)

President Delors said he understood our irritations with Japan -- that they "speak, speak, and export, export." He hoped that in the future the U.S., EC, and Canada could jointly put pressure on the Japanese. (Ø)

Secretary Baker made the point that we were able to avoid an even stronger trade law because we were able to get exchange rates to move and thus get trade balances to adjust. Exchange rates are now moving in the wrong direction. We need to take action to preserve those trade gains. (Ø)

Secretary Mosbacher agreed with Delors that we need to coordinate to deal with the problem of Japan. (Ø)

The President said he was concerned about the new European broadcast directive. (Ø)

President Delors said the directive was necessary for cultural

reasons, and that it was cost effective for the Europeans to do this. (Ø)

Secretary Baker replied that we had a natural advantage in producing programming and this was what free trade was all about. (Ø)

Carla Hills said we were very worried about the local content aspect of the broadcast directive. The Senate is very concerned about this. The directive was no different than if we applied local content rules to French wine. The broadcast directive would be viewed in Congress as the worst form of censorship. (Ø)

Secretary Baker asked about the EC position on harmonizing defense levies. (Ø)

President Delors said the issue has been taken off the table. (Ø)

The President said we wanted to assist Eastern Europe, but we do not want to pour money in until economic reforms are in place. We must be prudent. We have a strong interest in improving relations with Poland. (Ø)

President Delors said Lech Walesa told him it was not possible to make political progress without economic progress. Walesa asked Delors to help the Polish people but not to help the Communists. Delors saw two problems. One is the Polish external debt; the other the need to give Poland enough resources to fight against inflation and to ensure the functioning of markets. (Ø)

Secretary Baker asked President Delors if he meant we needed to give Poland grants. (Ø)

President Delors said yes. (Ø)

The President said that he had a lot of respect for Roy Denman and thanked him for the job he had done. (U)

Sir Roy Denman told the President he planned to go to Harvard to teach beginning in September to which the President replied that he wouldn't hold that against him. (U)

Originally Processed With FOIA(s):
2000-0429-F

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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: National Security Council
Series: Presidential Memcon Files
Subseries:

OA/ID Number: CF01729
Folder ID Number: CF01729-006

Folder Title:
[Memorandum of Conversations (Memcons) - June 1989-December 1989]: June 1989
