

Summit

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MEMORANDUM OF CONVERSATION

SUBJECT: First Plenary Session, Paris Economic Summit

PARTICIPANTS: The President
James A. Baker, Secretary of State
Ambassador McCormack, Under Secretary of
State for Economic Affairs

(Plus all
Foreign
Ministers)

Francois Mitterrand, President of France
Jacques Attali, Special Counsellor to the
President
Margaret Thatcher, Prime Minister of the
United Kingdom
Nigel Wicks, Deputy Secretary, HM Treasury
Helmut Kohl, Chancellor, Federal Republic of
Germany
Hans Tietmeyer, State Secretary, Ministry of
Finance, Federal Republic of Germany
Ciracao DeMita, Prime Minister of Italy
Umberto Vattani, Diplomatic Counsellor to the
Prime Ministers
Brian Mulroney, Prime Minister of Canada
James Taylor, Under Secretary, Ministry of
External Affairs
Sosuke Uno, Prime Minister of Japan
Michihiko Kunihiro, Vice Minister, Ministry
of Foreign Affairs of Japan
Jacques Delors, President of the Commission
of the European Communities
Pascal Lamy, Chef du Cabinet to the
President of the Commission of the European
Communities

DATE, TIME Saturday, July 15, 1989, 10:30AM - 1:05PM
& PLACE: Arche de la Defense, Paris

Mitterrand: We are welcoming you. A few words about the history of the Arche. Continues to describe the history of the Arche and the nature of the neighborhood. Continues talking about the history of the neighborhood surrounding the Arche. The press tent is downstairs. Six thousand journalists are here. Massive press attention focussing world attention on this event. Continues on about the physical aspects of the Arche. Paintings by Matisse are hanging here nearby. The buildings will outlast us as leaders. A permanent monument.

Starting on substance, I have four political drafts. One draft is on human rights. Another on East-West relations. A third on China. A fourth is on terrorism. After we finish the political

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texts, we will ask the Finance Ministers to join us. We represent different interests with our individual countries, but we try to nurture good relations among us. Our harmony in the preparations yesterday was good. The human rights document is unambitious, but good. Permanent values we share.

Mitterrand describes the Human Rights declaration referred to in the first paragraph of the new document before us. We reassert our commitment to human rights. We must reassert these general principles. On page 2, a reminder to respect international law. He continues to review the actual text before them on human rights. Continues to read the human rights declaration draft. Need to defend future of environment.

10:40 a.m. Mitterrand asks for comments.

DeMita: (No interpretation coming through)

I have three comments. On paragraphs about dignity on page 2, we say we must support dignity, but I don't know what it means. Right to own property implies that all are entitled to our property. But does each have such a right? If welfare of humanity is to be preserved and enlarged, doesn't want to connect this to dignity of individuals.

10:42 a.m. Thatcher: Supports text as it is. Has a poetic language. If we try to make text too precise, it will lose its poetic nature. Let's leave the text intact and not fiddle with the text.

10:45 a.m. Mitterrand: Any other comments?

10:45 a.m. Mulroney: I agree with Mrs. Thatcher's comment. Let's leave document alone. All people do have rights to own property. Let's leave the text alone.

10:46 a.m. Mitterrand: Let's think about the human rights and welfare of humanity -- preserves the dignity of mankind. Let's link the two concepts. Let's make a minor change. Agreed?

10:47 a.m. DeMita: Defends modification against Mrs. Thatcher's comments. Minor stylistic.

Bush: I want to support Mrs. Thatcher. Could you repeat DeMita's suggestion?

DeMita: Therefore, this consensus paragraph on human genomes. End of text should read: "Of the dignity of human being to be preserved."

10:50 a.m. Mitterrand: Approved the whole text. All agree with the small Italian changes.

10:51 a.m. Mitterrand reviews the East-West text, paragraph by paragraph. Reads military deterrence paragraph -- says it's

important. Continues to read text. Refers now to "coordinated assistance" part. Continues to read text.

10:53 a.m. Mitterrand continues to read text. Finishes. Asks for draft amendments. Paragraphs 1, 2, 3.

10:55 a.m. Andreotti: "Mr. President." Military imbalance remains a threat. Urges "potential" threat rather than actual threat to soften the text.

Mitterrand asks for comments on Andreotti's suggestions.

Bush: Objects to Andreotti's suggestion. Says NATO discussion made clear that there is a problem, and Soviets have already heard us say this. Not new. Arms imbalances are a threat, i.e., keep text as it is.

Mitterrand: Can we keep some of Andreotti's suggestion. "May be considered a threat" instead of "remains a threat."

Bush: Look, we are all trying to work things out with the Soviets. But while basis of our arms control is based on existence of actual military threat. Don't we agree on this?

Andreotti: I was not proposing to remove "threat" just to qualify the word by saying it is a "potential threat." We are just being a bit courteous to the Soviets by proposing "potential."

Mitterrand proposed "objective threat."

Accepted by Bush.

11:00 a.m. Kohl: Accepted paragraph 6. Last night we had supported debate on subject in paragraph 6. It is an important development worldwide. Think of nationality problems -- strikes of miners.

11:01 a.m. Kohl: At end of paragraph 6, last sentence reads intention. "We have decided in coming weeks a meeting of interested countries will take place." We are in favor of coordinating our aid to Poland to aid Polish economy. Food aid essential. We support the EEC in agreement with members of the EEC to take the necessary initiatives to encourage all countries to join us in this. Kohl rereads his suggestion slowly. "We have discussed that in the coming weeks a meeting of all interested countries will take place." We are in favor of aid to help modernize the Polish economy.

(Baker wants a typed copy of the notes on the Kohl amendment.)

Mitterrand: (Thinks Kohl is too long winded.) Do we want a food aid program really? We need to help Hungary, too.

11:07 a.m. Kohl agrees to delete food aid reference to Poland. We need to make clear that we need to have concerted actions.

11:08 a.m. Thatcher: We need concerted aid. Kohl's idea of a meeting in a couple of weeks is too early.

11:10 a.m. Bush: I like Kohl's idea. Food aid program of Kohl is a good idea. Meeting would not commit us but would help us plan. We will support Kohl's ideas on a meeting soon and on food aid.

11:11 a.m. Mitterrand: We need a written text of Kohl's idea.

DeMita: We agree on concertations and on idea of food aid.

Delors: Community would organize the food aid. We should restrict Kohl's proposal to a new meeting and some food aid.

Mitterrand asks the Germans for a written copy of this proposed amendment.

DeMita: At meeting of Foreign Ministers, we stressed Yugoslavia needs help. Yugoslavia moved away from USSR. We should not forget Yugoslavia.

Kohl: We should support the general idea of helping Yugoslavia, but Yugoslavia is not a member of the Warsaw Pact. Not like Hungary and Poland. Not on same level. In Budapest and Poland, they are fighting for lives. Yugoslavia is a separate problem.

Mitterrand: I agree that we could confuse people by putting Yugoslavia in this paragraph.

Thatcher: This whole document is on East-West relationship. Does not want Yugoslavia in this text. Our food aid should go to Poland not Hungary. Hungary has plenty of food.

11:20 a.m. Mitterrand: Mrs. Thatcher is right, but let's not forget Yugoslavia. Let's have the Foreign Ministers talk about Yugoslavia in the oral statement.

Clark: On Kohl's idea of a meeting for coordinating aid, proposes an early food aid program.

11:22 a.m. Mitterrand: As far as Poland is concerned, we suggest that a meeting should be held in coming weeks of all interested countries. We emphasize a food aid for the country in its present circumstances. We ask the EEC and member states to help with this idea. Regarding Poland, we ask the Commission to take the initiative.

11:25 a.m. Thatcher: Why mention the member countries?

Bush: I assume that the meeting Poland proposed would include Hungary. Not just on food aid, but also more broad aid coordination.

Mitterrand agrees with Bush.

Kohl's and Bush's proposal accepted.

Text is adopted on East-West with the improvements suggested by Kohl and Bush.

Mitterrand: Reads the China text.

Japan supports the document on China. Important to all of Asia.

ASEAN post ministerial conference participants were concerned about isolation of China. Asia will like the text of our language.

Mitterrand: China text is adopted.

11:30 a.m. Mitterrand reads the terrorism text. Asks for comments on text. Text on terrorism is adopted.

11:34 a.m. All texts are now adopted.

Mitterrand suggests adjournment until the final texts are prepared.

Baker: Do we agree on Yugoslavia? An oral report by Mr. Dumas? We should mention Yugoslavia in the debt section. Romania and Bulgaria's human rights problems should be mentioned in Dumas' oral text, and we will add some language about Yugoslavia in the debt section of the actual communique.

11:35 a.m. Meeting is adjourned. [All go out to balcony for photo op]. Baker comes over to say how delighted he is about our (U.S.) successes in the political language. "A clean sweep -- great."

Reconvene 12:04 p.m.

12:04 p.m. Mitterrand: I have just learned of an attempted coup in Somalia. Many dead. I have just sent a plane to evacuate our people. Goes over changes in text.

12:04 p.m. Thatcher: Paragraphs on Poland and Hungary are confused.

12:05 p.m. Bush: Baker has suggestion.

Baker supports Thatcher's suggestion. Also "concerted support for reforms in" to have no doubts that we want a follow-up meeting for concertation. Thus also talk about food aid for Poland.

12:07 p.m. Clark: Food aid can be considered O.D.A. We need to just use the concept "provide food," not "provide food aid."
Clark's idea accepted.

Dumas reads new text.

12:12 p.m. Final approval given to political text.

Session on political over.

Session on economics starts.

Finance Ministers join the meeting.

French Finance Minister starts to summarize the discussion yesterday of Finance Ministers. Growth 1% slower this year than last among G-7. Some new inflationary tendency. Some caused by oil and commodities some caused by overheating. Imbalances still a problem.

Adjustment of imbalance slowed up.

Japan-Germany have surplus problems in payments.

Debtor countries still have problems.

Is inflation the number one problem? Or are deficits and imbalances equally worrisome?

We must fight inflation and imbalances and debt problem.

Our inflation not just to be fought with monetary policies alone. Coordination more essential than ever. If you use monetary policies alone to fight inflation, then you get a high currency and trade problems.

12:25 p.m. Education, modernizing financial markets, protectionism need attention, also.

Money laundering: We should strengthen the text on this subject. Brady suggestion accepted in this morning's discussion of Finance Ministers.

Asks for comments.

Kohl: I agree with the report we have just heard. Money laundering important. A huge problem with drug money. We need to get on top of this. We need stronger words and actions, too.

Kohl asks Delors to speak.

Mitterrand: This afternoon we will talk about drugs. This morning we will talk about trade and monetary.

Thatcher: We must concentrate on killing inflation because unemployment will result and currency problems.

Trade surpluses and low inflation seem to go together.

Imbalances must be reduced, but nobody says how.

We should not ask Germany and Japan to solve trade imbalances by inflationary domestic demand. Otherwise, inflation will result. Asks for new concrete thinking about trade imbalances. No printing press solution.

Beregovoy: I hate inflation, too. We must reduce deficits. Opening of surplus countries to imports and increasing demand. Avoid protectionism.

Lawson: Inflation is number one problem. Trade imbalance is too much domestic demand sucking in imports. Must cut demand. Current account balance in short term not possible or practical. Savings flow around globe. Imbalances cannot go on forever. Inflation is priority. Structural problems important on trade front.

No one wants German inflation.

Quotes a report on Germany. Structural problems hurting economy, causes distortion. Favors employment in Germany. German economy is out of balance. Wrong incentives. Export machine.

Japan's wish to be a major importer is important. Will take time, but will solve imbalances.

Need to beef up paragraph on structural rigidities.

German Finance Minister: Have to increase imports but not increase inflation. We are world's second biggest importer after the USA. There is scope for increased imports. Our new tax system will increase imports. But no inflationary solutions. Currency adjustment has helped in U.S.-German imbalance.

We can't do much more with our policies to help. Imports will increase in next several years.

Brady: We don't have a complete answer to deficit and imbalances problem. By next Summit, we need new thinking. We are stuck with current language in meantime.

Japan: Inflation and imbalances both problems. We will expand domestic demand as much as possible. \$6 billion surplus reduction this year.

(Secretary Baker interrupted notetaker with a question, and was out of action for about two minutes.)

Lawson: Urged Japanese to end agriculture subsidies. Need to improve retail sector in Japan.

Retail price maintenance in Japan still a problem. Japanese must do something about their retail structure.

Kohl: Ghost of Fortress Europe is a total non-starter. In 1948, 90 percent opposed a market system. But leadership went ahead. Leaders must be bold and lead. Must fight protectionism.

Pakistan is worried about rice exports to Europe. We must open our EEC markets. Farming lobby should have been dealt with years ago. We must reduce coal production in Germany. Could have done this 20 years ago.

We are reducing our miners by 30,000 in next few years. Cannot be done overnight. Must phase in our policies over time. Politics intrudes on this.

We need to privatize our postal services over time. We cannot accept the myth that "all our markets are open." Should delete this because reality is different. Japan has a big problem. We need to drop pious platitudes that aren't true.

EC Finance Minister: EC 92 will produce structural improvements, especially things will improve in Germany. High external deficit produces high rates of inflation. Fight against inflation is priority number one. This will help on deficits.

Mitterrand: Need to move change rapidly.

Italy: This Summit will send a message on inflation and development to the world. Structural coordination has weakened. Some inflation trends.

(1:04) Meeting adjourned.

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