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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Bilateral Meeting with EC President Jacques Delors

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
Nicholas F. Brady, Secretary of the Treasury
John Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Richard McCormack, Under Secretary of State
for Economic and Agricultural Affairs
Timothy Deal, Senior Director for
International Economic Affairs, NSC
(notetaker)

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Jacques Delors, President, European
Communities Commission
Frans Andriessen, Vice President, EC
Henning Christophersen, Vice President, EC
Pascal Lamy, Chief of Staff to President
Delors

DATE, TIME
AND PLACE: July 8, 1990, 4:30-4:55 p.m.
AstroArena, Houston

The President: Welcome. It's hot outside. We'll have a relaxed evening. We have a few minutes. I look forward to these talks. The subjects are getting defined by the media: the G-7 approach on China, the question of assistance for the USSR. On the latter, I have spoken publicly to this point; it's a serious problem for us politically. In his letter to me, Gorbachev spelled out a wide array of means to provide him help. We can't simply supply money; we have legal constraints. Meanwhile, Gorbachev is under attack at home. (Ø)

The environment will get serious consideration. A sensible outcome should be possible. (U)

Then there's the issue you and I have talked about: agriculture as it relates to the Uruguay Round. I am scared that if we don't make a breakthrough now, the Round will fall apart, and we will be fingered for the failure. I appeal to you as I will appeal to

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others including Kohl and Mitterrand. Without the breakthrough in agriculture, we will fail and be blamed for it. We must move forward. I am under pressure at home on sugar, peanuts, etc. So I make a pitch, an appeal. It's not easy for an American politician; we have a strong lobby here. These will be the main subjects, although others will be covered in our long communique. (C)

President Delors: In relation to the USSR, the only decision taken by the Commission is to support perestroika, nothing more. The Commission has a mandate to study the economy, not a commitment to assist Soviet Union. I don't see any big difference after your meeting with Gorbachev and what the Community has said. The EC will do its study carefully. There are lots of unknowns about the Soviet Union and how to help Gorbachev. (C)

The big problem for the Commission is the Uruguay Round. I don't see how we can reach agreement on the present basis. This is not only an economic problem, but also a social one. Take the position of a number of our countries. It's difficult to deal with agriculture without taking account of the environment, desertification of our land, for example. We should try to resolve this issue bilaterally; that is the only route. (U)

The President: I don't want to have the failure of the Round on my hands. We must find an accommodation. If you go to Iowa or Louisiana, they will say there that agriculture is different. I know what your farmers say. But the Third World doesn't understand. Again, I don't want failure on my hands. We can't exempt something so important as agriculture from free and fair trade. Agriculture is on the table. I know the difficulties. Yet if we don't achieve something here, we could blow the whole Summit apart. We must find some common ground. Bilateral discussions are fine, but this is a world problem. (C)

President Delors: If the discussions go badly, we will have real problems. (U)

The President: If we can't move forward, the Round will fail. I talked with Kaifu about rice. Everyone has a problem. Please accept my political opinion about how this issue will be played here. If there is a way to solve the problem, we should find it. (U)

Mr. Andriessen: What do you expect from this meeting? There are only certain EC countries here. The last few months we have been lost in semantics. It is necessary to find words that do not cover up the real problem. The Japanese problem with rice is different. (U)

The President: We must move forward in the negotiations. Our negotiators can deal with individual commodities. We have a good chance here to clear up our general position. If we don't, we'll look like ostriches with our heads buried in the sand. No U.S.

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farmer, say from Iowa, says "eliminate subsidies." They want to preserve the existing system. (U)

Mr. Andriessen: We have different negotiating positions on the table. The Trade Negotiating Committee (TNC) paper has problems for both of us. (U)

Governor Sununu: When you go into a negotiation, you need to have an objective. If some have an objective of ending the negotiations in a stalemate, then that will be the outcome. We need a political commitment to a solution. (U)

Mr. Andriessen: It's a matter of wording. If your objective remains the same, that is, the elimination of subsidies, there will be no way to make the Summit a success. If you go another way, success is possible. (U)

Secretary Baker: How do you see the prospects of the de Zeeuw report? (U)

Mr. Andriessen: There are some things we like and some things we don't. (U)

Secretary Baker: Could this be a basis for negotiation? (U)

Mr. Andriessen: I don't know. (U)

Secretary Baker: I talked with Jacques (Delors) about this. I know you have reservations, but we have to move forward. There are things in the paper we like and don't like. Maybe we should look at this report though as a firm basis for further negotiations. (U)

Governor Sununu: It would be preferable to have this paper as a basis for negotiations. Another way would be to have it as a starting point; that is not as good. But don't underestimate the time issue. Congress is in a protectionist mood. We'd like to shut off protectionism. (U)

The President: If we can find some common ground, this may be the way forward. (U)

Mr. Andriessen: There is more in de Zeeuw's report that we don't like than you. That makes it difficult to go along. But the paper is a reality; people will take it as such. We need to see what we can find for wording. We should not mention the report explicitly. We could just note the progress made. (U)

The President: I'm worried. We could get a black-eye from this meeting. (U)

President Delors: These are other problems, textiles for example. (U)

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The President/Secretary Baker: Agriculture is the big problem.
(U)

The President: Protectionist legislation is coming down the track like a locomotive. We need a broad trade agreement then.
(U)

Mr. Andriessen: We should not be too specific on our differences. It is wise for a meeting like this to go into specifics? We should just cite the progress made and the outlook for the Round. (U)

The President: We have a big problem if nothing happens. We must be realistic. In any event, we should see where we could go. (U)

President Delors: There is a big difference between European and American agriculture. We have an interest in introducing more market pricing into the system. We're in favor of free trade. We are changing our policies. You must recognize the differences between the two systems. (U)

Secretary Baker: We do recognize those differences. The preservation of small farms is a social problem for you and for us. We have to find ways to assist those farmers but without distorting trade. The Japanese cite rice as a social problem for them. (U)

President Delors: It's not the same. It's a different kind of problem, a different kind of farm. (U)

Secretary Baker: We must find a way that does not distort trade.
(U)

President Delors: We are making an effort to reduce support. It's not easy. (U)

Secretary Baker: We have done some things, so have you. (U)

The President: I'm glad to have had these discussions. We will work behind the scenes. We need to show a willingness to go forward. The focus of the press will be on aid to the USSR. We will find a way to deal with that along the lines of what's in Gorbachev's letter. If that is the case, this will shift the focus of attention to contentious issues. (U)

President Delors: What about China? (U)

The President: As in the case of Germany, if the Japanese want to pour money down a rathole, that's their business. We should strive for a common position and not criticize the Japanese. We want to keep the restraints on multilateral lending through a common position. (U)

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Mr. Christophersen: You didn't mention your Latin American initiative. (U)

The President: What is important is that it is not only a question for the U.S. We hope others will help. (U)

-- End of Conversation --

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