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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Giuliano Amato of Italy

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Nicholas Brady, Secretary of the Treasury
Brent Scowcroft, Assistant to the President
for National Security Affairs

Prime Minister Giuliano Amato
Foreign Minister Scotti
Ambassador Vallani

AND PLACE: July 6, 1992
DATE, TIME: Munich, Germany

The President: Welcome. I wish you the best of luck. Economic growth is one of the things we want to talk about. We should also, discuss Russia and Bosnia. (C)

Prime Minister Amato: I bring you greetings from President Scalfaro. We have new people. We share you sense of need for our economies to grow. After consumer expectations are higher, we must show that our systems work. Our public (budget) deficit is difficult. We went for months without a government. Then we had the Danish referendum. The first victim was the lira. We had two difficult days on Thursday and Friday. We won a confidence vote on Saturday by a 50 vote margin. We decided to hold prices and salaries. We have to reduce the public deficit significantly in the next six months. So we have to raise taxes for two-thirds of this and cut expenditures for one-third. If we succeed the deficit would go under 10 percent for the first time in years. We need solidarity by our friends at this moment. (C)

The President: What kind? (U)

Prime Minister Amato: The Central Bank has raised the rate by two points. (U)

The President: What does solidarity mean? (U)

Prime Minister Amato: If you could express appreciation for our program as soon as possible. (C)

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2009-0649-MR
SCS 1/6/11

The President: We will certainly look at it. You have always been most understanding of us. And we will stay with you every way possible. (Ø)

Prime Minister Amato: The public sector won't come under the same pressure as private sector, which faces competition. (Ø)

The President: Is this unpopular? (U)

Prime Minister Amato: I'm sure it will be. (U)

The President: We respect your position on Bosnia and feel you were helpful in bringing the French along. We feel we need to move on GATT. We are fairly close. (Ø)

Prime Minister Amato: Do you hope to close before elections? (U)

The President: We would like to. We don't want it to dominate the summit, but we will push GATT around the fringes. (Description of Mitterrand meeting.) (Ø)

We are concerned about the debate about NATO, the Franco-German Corps, etc. There is a danger this will push the U.S. out of Europe. I did have a good talk with Mitterrand, however. (Ø)

Prime Minister Amato: We strongly share this view in strategic terms. We don't see how your European integration can work without strong U.S. relations. Without a strong U.S. presence, the Community would weaken. We feel strongly on this issue. (Ø)

The President: Italy has been great on this. I bring the subject up only to make our position clear with you. (U)

I would appreciate getting your views on Yugoslavia. (U)

Prime Minister Amato: It is difficult to have a view on this. It is a new problem and hard to assess. The realities are so intertwined. They can't agree on the status for minorities which will work. We can only hope to lower the temperature. The only solution is to have separate states with minority guarantees. (Ø)

The President: There is so much ethnic hatred coming out now. These same sorts of issues pervade the CIS. (Ø)

Prime Minister Amato: The key is growth to help assimilation. (U)

The President: Look at Czechoslovakia. Havel will be forced out. (Ø)

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Prime Minister Amato: Are you ready to bet on Yeltsin over the next months? (C)

The President: We have to. We don't want to pour money down a rat hole, but Yeltsin is trying hard and we have to bet on him. (C)

Prime Minister Amato: We hope the Japanese will give us a hand. These islands are important to them. (C)

The President: Can you help on the Polish stabilization fund? (C)

Prime Minister Amato: I received your message, and we are thinking about it. (U)

-- End of Conversation --

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Originally Processed With FOIA(s):
2009-0275-S

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Series:	Presidential Correspondence Files
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OA/ID Number:	91110
Folder ID Number:	91110-001

Folder Title:
Presidential Meetings - Memorandum of Conversations 7/1/92 - 7/9/92
