

## THE WHITE HOUSE

WASHINGTON

## MEMORANDUM OF CONVERSATION

SUBJECT: Afternoon Plenary Session  
1992 Munich Economic Summit (U)

PARTICIPANTS: George Bush, President of the  
United States of America  
Nicholas F. Brady, Secretary of the  
Treasury  
Robert Zoellick, Under Secretary of State  
for Economic and Agricultural Affairs

Helmut Kohl, Chancellor of the  
Federal Republic of Germany  
Theodor Waigel, Minister of Finance  
Jurgen Moelleman, Minister of Economics  
Horst Köhler, State Secretary, Ministry of  
Finance

Francois Mitterrand, President of the  
French Republic  
Michel Sapin, Minister of Economy and  
Finance  
Anne Lauvergeon, Deputy Secretary  
General, Office of the President

Brian Mulroney, Prime Minister of Canada  
Don Mazankowski, Deputy Prime Minister,  
Minister of Finance  
Derek Burney, Ambassador to the United States

Guiliano Amato, Prime Minister of the  
Italian Republic  
Piero Barucci, Minister of the Treasury  
Umberto Vattani, Diplomatic Counsellor

John Major, Prime Minister of the United  
Kingdom of Great Britain and Northern  
Ireland  
Norman Lamont, Chancellor of the  
Exchequer  
Andrew Turnbull, Deputy Secretary, Treasury

Kiichi Miyazawa, Prime Minister of Japan  
Tsutomu Hata, Minister of Finance  
Kozo Watanabe, Minister for International  
Trade and Industry  
Koichiro Matsuura, Deputy Minister for  
Economic Affairs, Ministry of Foreign  
Affairs

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Jacques Delors, President of the  
Commission of the European Communities  
Pascal Lamy, Chief of Staff to the President  
of the EC Commission

DATE, TIME Tuesday, July 7, 1992, 2:30 p.m.  
AND PLACE: Residenz - Vierschimmelsaal  
Munich, Federal Republic of Germany

Chancellor Kohl: Welcome. We'll have a brief summary of the Heads' discussion and then hear from Ministers Waigel and Moellemann. I want to finish before 5:00 pm. I'd like to thank our guests for their frank, friendly tone. (U)

We want a message of optimism from Munich. We want to concentrate on economics. We all need recovery. It's beginning, but is slow. We need to cultivate the recovery and boost it. We need higher and sustainable growth, low inflation, and to make inroads into unemployment. We need to show confidence. We've had intensive talks about unemployment. We see this as a human problem, not just a statistic. We all want low interest rates, but recognize the specific problems of each of us. We discussed GATT. We cannot negotiate here, but we don't want the same generalities. We want success. I hope the wording will lead to clear perspectives. We discussed drugs, poverty, migration, the environment, debt relief for certain poorer countries, support for Central and Eastern Europe. We discussed the FSU and "help for self-help." We talked about nuclear safety; I hope we can find wording. We have an historic opportunity. (Ø)

Finance Minister Waigel: We're conscious that the recovery has begun, but there are great differences -- and weaknesses. A Uruguay Round agreement would help. We need to bundle different national measures, and keep inflation and deficits down. Unemployment is of a structural nature, and growth alone has limited effects. We talked about the IMF report on Russia. (Ø)

The IMF program foresees a three-phase plan. There will be a first tranche loan. This will be the basis for further debt relief. The cutoff date on existing Soviet debt will be maintaining. There still needs to be all-encompassing adjustment. We agreed on nuclear safety and on G-24 coordination. We discussed LDCs and aid, and the Enhanced Structural Adjustment Facility (ESAF) issue. All these issues are interrelated. There was discussion of the issue of debt forgiveness. (Notetaker was interrupted.) (Ø)

Finance Minister Moellemann: Need to stress (for FSU and Central and Eastern Europe) structural change and modernization. Munich is the beginning of a new structural policy coordination. They need: (1) to reduce subsidies; this helps budget and better use of investment; (2) strengthen competition and deregulation/privatization; (3) strengthen international trade; (4) work on environmental policy. We need to connect the macro and the structural aspects. They need a legal framework for private investors; this demands a positive investment climate and

non-discrimination against foreign investors. There needs to be protection on intellectual property. And improvement of the environment. All this is true for both the FSU and CE/EE; we discussed the latter, too. There should be follow-up through economics and finance ministers with CE/EE in Japan. (Ø)

Chancellor Kohl: Comments? (U)

Prime Minister Amato: In paragraph 8, we could stress employment more; stress training and the use of savings. There is a link here to lower interest rates. (Ø)

Chancellor Kohl: This can be touched upon, but don't lengthen the text. (U)

Secretary Brady: Finance ministers agreed to strengthen the language on growth as an overall objective -- though leaving to each nation to do this in its own way. We should leave no doubt growth is the answer. (Ø)

Chancellor Kohl: Growth and stability go hand in hand. (U)

Finance Minister Mazankowski: We want more language in paragraph 10 on unemployment. Refer to labor market reform. Address chronic structural unemployment. (Ø)

Prime Minister Major: Caution. We want more growth, less unemployment and training. But I have a reservation: What are the two energizers? (1) Lower interest rates and (2) the Uruguay Round. But we have nothing to say on either. We can say what we want, but there's no progress on ways to deliver. The opposition will point to fine words; we should be able to point to something tangible. Can't lower interest rates for reasons we all understand. Nor can we expect a breakthrough in the UR. So we can't say no to business at home to be confident. The disjunction between what we say and what we can achieve is stark. (Ø)

-- End of Meeting --

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