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002. briefing	Draft paper, re: Lithuania: Political Economic Overview (4 pages)	ea. 07/1994	P1/b(1) VZ 9/21/2023
003. briefing	Draft paper, re: Latvia: Political Economic Overview (4 pages)	ea. 07/1994	P1/b(1) VZ 9/21/2023
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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FROM: GROSSMAN, M

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E.O. 13526
White House Guidelines, September 11, 2006
By ~~DOE~~ NARA, Date ~~09/30/13~~
2011-1037-F

DOC DATE: 17 JUN 94
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United States Department of State

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June 17, 1994

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UNCLASSIFIEDWith ~~CONFIDENTIAL~~ AttachmentsMEMORANDUM FOR WILLIAM H. ITOH
EXECUTIVE SECRETARY
NATIONAL SECURITY COUNCILSUBJECT: Materials for the President's July Trip to Europe
and the G-7 Economic Summit

Attached is the fifth packet of materials for the President's July trip to Europe and the G-7 Economic Summit. Additional material will be submitted under separate cover.

Thank you for your assistance in this matter. •


for Marc Grossman
Executive Secretary

Attachments:
As stated

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TO EUROPE AND THE G-7

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FROM: GROSSMAN, M White House Guidelines, September 11, 2006
By ~~VOE~~ NARA, Date ~~09/30/00~~ **2011-1037-F**

SUSPENSE

DOC DATE: 17 JUN 94
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PERSONS:

SUBJECT: MATERIALS FOR PRES JUL TRIP TO EUROPE

ACTION: ADD-ON / APPROPRIATE ACTION

DUE DATE: 23 JUN 94 STATUS: S

STAFF OFFICER: WHYMAN

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United States Department of State

Washington, D.C. 20520

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June 17, 1994

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MEMORANDUM FOR WILLIAM H. ITOH
EXECUTIVE SECRETARY
NATIONAL SECURITY COUNCIL

SUBJECT: Materials for the President's July Trip to Europe

Attached is the fourth packet of materials for the President's July trip to Europe. Additional material will be submitted under separate cover.

Thank you for your assistance in this matter.


Marc Grossman
Executive Secretary

Attachments:
As stated

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PRESS STATEMENT AFTER THE PRESIDENT'S
MEETING WITH CHANCELLOR KOHL

Since becoming President last year, I have met with Chancellor Kohl on a number of occasions, most recently in Chicago where we attended the opening game of the World Cup; we have also consulted with each other frequently by telephone. It is a special pleasure to be able to meet with the Chancellor in Bonn. Our talks today further underscored the enduring strength and importance in the post-Cold War era of the multifaceted relationship between Germany and the United States.

We discussed the economic and political situation in Germany and the United States, and explored ways both countries can more effectively use their considerable resources to make progress on some critical foreign policy objectives. These objectives include: political freedom and market reform in Central and Eastern Europe and in Russia, Ukraine, and the other New Independent States; closer integration between eastern and western Europe and maintaining the strong ties between Europe and the United States.

We also discussed some of the crises we face in other parts of the world. I thanked the Chancellor for the significant help Germany has already provided in a number of areas, and expressed America's interest in seeing Germany fully accept a global role commensurate with its great strength and impressive capabilities.

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DRAFT STATEMENT FOLLOWING THE PRESIDENT'S
MEETING WITH GERMAN PRESIDENT HERZOG

It is a pleasure for me to have made the acquaintance of President Roman Herzog today and to congratulate him on assuming his duties earlier this month. Deep and diverse bonds of history and culture link the people of Germany and of the United States. I am confident that President Herzog will be a successful steward and champion of our relationship during his term of office.

In his acceptance speech on May 23, President Herzog mentioned America's role after the war in helping the western part of Germany become free and prosperous. We are happy to have helped. Germany can be proud of the solid democracy it built with hard work and sacrifice in the West and has now extended to new Federal States in the East.

We realize that unification has not been easy or inexpensive during a period of economic recession and restructuring. In such times of rapid change and social dislocation, political violence, whether from the left or the right, becomes a real threat to democracy. Neither the United States nor Germany is immune from this problem, but I want to commend the German Government and the German people for working hard to combat

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violence and intolerance. We look with hope to President Herzog to amplify the noblest sentiments of his countrymen toward their neighbors, regardless of ethnic heritage or economic status. And, on this point, I want to express on behalf of Germany's American friends our gratitude to and respect for President Herzog's predecessor, Richard von Weizsaecker, for the example he set during ten years as his country's esteemed head of state.

The United States strongly supported German unification and is fully confident of Germany's ability to master its consequences. The success of German unification is essential, because Germany faces new responsibilities to contribute to stability in Europe and beyond, to the vitality of the world economy, and to the promotion of democratic nations' shared ideals of human rights. I benefitted greatly from my exchange of views on these topics with President Herzog today, and I look forward to his wise counsel for some time to come.

PRESS STATEMENT

- o Chancellor Kohl, President Delors, and I had an extremely useful discussion of the issues on our common agenda for the next six months and beyond.
- o I believe that European integration will help to strengthen and secure peace, prosperity, and human rights in all of Europe.
- o Today I reaffirmed to Chancellor Kohl and President Delors my continuing support for a wider Europe. I also underscored the growing need for partnership between the United States and the European Union as we confront shared challenges outside Western Europe.
- o Perhaps foremost and most immediate among those challenges is how we can best assist our Central and Eastern European friends in their difficult transition to democratic, free-market systems. We are acutely aware that our own security -- political and economic -- is linked to that of the East.
- o We had a very productive discussion about how best to rationalize our efforts and agreed to establish a study group to examine this further during the coming months.
- o Another area of great importance, and mutual interest, is the Middle East. Our partnership with the European Union and others in rendering assistance to the Middle East Peace Process has been key and will remain so. I conveyed to President Delors and Chancellor Kohl our appreciation for the energetic efforts made by the EU -- and especially the European Commission -- in this area.
- o We also reviewed the situation in Bosnia, including the status of the negotiation effort. It is crucial that the U.S. and the EU -- as well as Russia -- continue to work together closely on finding a peaceful settlement to that tragic conflict.
- o With the signing of the GATT Uruguay Round Final Act in April, we are now focusing on the ratification process. I emphasized to my EU colleagues the importance of ratification, as well as the need to begin to look beyond the Uruguay Round, to the new trade agenda.
- o Finally, I listened with great interest to my European colleagues' views on the development of the EU as it faces both a potentially expanding membership in 1995 as well as the challenge of revising its internal structures in 1996. I underscored our desire to maintain and increase our close ties to the EU as these changes take place. We agreed to establish a study group to make recommendations in this area as well.

SUGGESTED PHOTO-OP STATEMENT FOR MEETING
WITH POLISH PRESIDENT WALESA

Ladies and Gentlemen:

I have just had a good discussion with President Walesa (va-WEN-sa). The President and I have, over the years, maintained a continuing dialogue, at meetings, in writing, by phone and in person on a series of issues, but I always particularly welcome the opportunity to speak with him in person. President Walesa and I talked today about the excellent state of U.S.-Polish relations, about new ways to build on our already outstanding cooperation, and about the security situation in the region. The President gave me the benefit of his views on how best to proceed on the goal we both share -- the integration of Poland into Western political, economic and security institutions. We discussed as well the question of how to work together to bring Russia into a united Europe.

The relationship between the United States and Poland is one of trust and cooperation -- we work together around the world in ways that only the closest of friends can. I believe that a major part of that friendship is the constant, high-level exchanges that occur between our two governments. As President Walesa once wrote me, nothing can replace personal contact. I greatly appreciated the chance to meet with him once more to continue our dialogue.

Thank you very much.

THE WHITE HOUSE
Office of the Press Secretary
(Riga, Latvia)

For Immediate Release

July 6, 1994

The President met today jointly in Riga, Latvia, with President Lennart Meri of Estonia, President Algirdas Brazauskas of Lithuania and President Guntis Ulmanis of Latvia. It was the second meeting of the four presidents and the first ever visit by an American President to the Baltic States.

The President congratulated the Baltic presidents on the progress made toward total withdrawal of Russian troops from the Baltic States through bilateral withdrawal agreements and expressed pleasure at having contributed to this success. To this end, the President announced the readiness of the United States to distribute over 1,500 housing vouchers to retired and demobilized Russian officers currently in Estonia and Latvia for their use in returning to Russia. The President reviewed the progress of our international contribution to dismantle the uncompleted radar facility at Skrunda, Latvia.

The President welcomed the Baltic States' enthusiastic reception of Partnership for Peace and informed the Presidents of the Administration's proposal to Congress in the budget for fiscal year 1995 to support the development of the Baltic Peacekeeping Battalion. The President noted that the United States looks forward to developing cooperative defense and security relationships with Lithuania, Latvia and Estonia bilaterally and multilaterally in a European context.

The President welcomed the signing of a number of bilateral agreements with the United States today and over the past weeks on trade, investment, intellectual property protection, and science and technology cooperation, which lay the foundation for greatly expanding American economic cooperation and financial investment. [~~--subject to DOC confirmation--~~In view of these new opportunities, the President announced that he will send a trade mission to the Baltic States spearheaded by the Department of Commerce this autumn.]

The President also announced his approval of the American membership of the Board of Directors of the Baltic American Enterprise Fund, which will provide \$50 million of capital to develop small and medium-sized businesses in the Baltics over the next three to four years. This is indicative of one of the directions that we want to emphasize in our new partnership.

The President expressed his admiration for the pace of ongoing economic reform and the progress each country has made in assisting its ethnic minorities and noncitizen communities to integrate into Baltic society. The President also discussed other issues of mutual concern.

SUGGESTED PHOTO-OP STATEMENT FOR MEETING

WITH POLISH PRIME MINISTER PAWLAK

Ladies and Gentlemen:

I have just had an excellent meeting with Prime Minister Pawlak (PAHV-lahk). The Prime Minister and I reviewed the state of U.S. - Polish relations, which, and I am violating no confidences here, remain superb. The Prime Minister emphasized his government's -- as well as his personal -- commitment to continuing the reforms that have made Poland an example to the region.

We discussed ways to deepen our cooperation to ensure that the reform process in Poland succeeds in reaching the entire nation -- something that is a high priority for both our countries.

As I noted when I arrived, the U.S. is proud to have played a part in assisting Poland's historic transition; we will not abandon our friends now, when the fruits of Polish determination are at last becoming apparent. We look forward to continuing to work with the Polish government to build on what has already been achieved and to bring the benefits of successful reform to all the people of Poland.

Thank you very much.

PRESS QUESTIONS AND ANSWERS

THE GERMAN ECONOMY

Q: Is Germany pulling its weight in the global economy?

- A. - Definitely.
- As one of the world's top three economies, the recovery underway in Germany signals the return of a healthy "economic locomotive of Europe."
 - Positive German economic growth will play a crucial role in EU-wide rebound from recession and is a boon to all nations linked in an increasingly interdependent world economy.
 - A healthy economy will better enable Germany to continue to play a crucial role in assistance to Russia and the East.

Q: What is the outlook for the eastern German economy?

- A. - Although the economic reconstruction of eastern Germany is proving more expensive and difficult than expected, I am pleased by strong economic growth in the region.
- American firms have played a substantial role among foreign investors in leading the way to self-sustaining economic growth in eastern Germany.

HOLOCAUST SURVIVOR HUGO PRINCZ

Q: Is the lawsuit by Hugo Princz against Germany an irritant in US-German relations?

- A.
- The Administration and the Congress feel strongly that Mr. Princz's claim to appropriate compensation is legitimate and compelling.
 - We are very disappointed that the matter has not been settled despite the repeated offer of our good offices to promote a resolution.
 - The Princz case has attracted widespread support and sympathy in the U.S.
 - We will continue to raise the issue at the highest levels of the German Government and will press vigorously our view that Mr. Princz's claim should be speedily and justly resolved until such time as there is a satisfactory settlement.

Background: Imprisoned by the Nazis in WWII, Jewish American citizen Hugo Princz survived labor and death camps while his entire family was exterminated. Princz's original (1955) claim was denied under Germany's compensation law of the time because he had not been registered as a displaced person. His pursuit in US court of a multi-million dollar damages claim is contested by Germany.

BERLIN DOCUMENT CENTER

Q: Why is the USG turning over the Berlin Document Center to the Germans when it is so important in tracking down war criminals living in the U.S.?

- A. - We have had a long-standing agreement with the German Government to transfer the BDC once Germany provided us with a microfilm copy of all documents held in the BDC, and they have done that.
- The transfer agreement provides for the loan of originals as warranted for official purposes of the State and Justice Departments and the National Archives.

Q: What about public access to the originals?

- Public access to the records through the U.S. National Archives will be broader than it was during our control of the originals in Berlin.
- The German Government has given us satisfactory assurance that non-official access to the documents will continue at the standards we exercised.

U.S. CLAIMS AGAINST THE FORMER GERMAN DEMOCRATIC REPUBLIC

Q: What are you doing for the American claimants who want to have their property in former East Germany restituted but who are forced now to accept inadequate compensation?

- A. - A number of U.S. citizens who seek restitution of property in the former GDR risk being treated unfairly under our recent property claims settlement agreement.
- We are asking for the German Government's cooperation in solving this problem.

BURDENSARING AND RESIDUAL VALUE

Q: What can we do to get Germany to pick up a greater share of the costs of maintaining our forces here?

- A.
- We have tabled a proposal that Germany forgo \$240 million in taxes, rents, and fees that the U.S. military is asked to pay.
 - However, it is very much in our interest that Germany contributes to the common defense in a number of ways apart from defraying the stationing costs of U.S. troops. For example:
 - The Germans are active partners in NATO and contribute a large share (27 %) of NATO's common funded programs. (The U.S. pays 28%.) In addition, their financial and logistical support for NATO forces stationed in Germany is crucial to the functioning of the Alliance.
 - Germany is building housing in Russia and Ukraine for Russian forces withdrawing from eastern Germany.
 - Germany is providing significant economic and technical assistance to Russia and the fledgling democracies of eastern Europe.

Q: How can we get the Germans to pay what they owe us for the improvements we have made to the bases we return to them?

- A.
- Our agreements with Germany call for Germany to reimburse the U.S. for the value of improvements we have made to returned German installations.
 - EUCOM Deputy CINC General Boyd and Ambassador Holbrooke recently presented a broad framework proposal to the German Finance Ministry. The proposal would spread out German reimbursements over several years and direct them toward critical U.S. military construction and maintenance priorities.
 - We have urged the Germans not to let this issue become a sore point between us. I know that German political leaders are as interested as we are in not letting that happen.

UKRAINE: U.S.-UKRAINE RELATIONS

Question

Ukraine is a key factor in Poland's foreign policy approach. Where does Ukraine fit in with the United States?

- A - Since President Clinton's January 12 meeting in Ukraine with President Kravchuk, the stage has been set for a qualitatively new era in our bilateral relations.
- o Ukraine President Kravchuk's agreement to join the U.S. and Russia in signing the January 14 Trilateral Statement, followed by the Ukrainian parliament's February 3 ratification of START I, put into motion a shift in emphasis from nuclear weapons-related issues to Ukraine's urgent need for economic assistance.
- o The most important item of nuclear weapons-related business left is Ukraine's accession to the Non-Proliferation Treaty as a non-nuclear weapons state, which Ukraine has obliged itself to do in the shortest possible time.
- o President Kravchuk's March 3-5 visit to Washington helped to give momentum to this new era in bilateral relations.
- o The theme of the visit, the transition in our relations from security issues to a broad focus on economic and political issues, demonstrates our mutual commitment to a democratically strong, economically stable, independent and sovereign Ukraine.
- o President Clinton joined Kravchuk on March 4 in announcing a new program of cooperation aimed at stimulating Ukraine's economic reform, particularly in such areas as banking, privatization, democratization, energy and environment.
- o This and other commitments for assistance, including Nunn-Lugar funding, amount to \$700 million -- double last year's -- half of which will assist Ukraine with its nuclear dismantlement, and half, its economic programs.
- o Full utilization of economic assistance will depend heavily on Ukraine's progress in implementing a comprehensive economic reform program.

GERMAN ASSISTANCE TO RUSSIA

Q: What is Germany doing to help Russia?

- A. - Germany has provided the most extensive humanitarian and technical assistance to Russia and NIS countries of any donor. We appreciate the generous support Germany has provided to Russia so far.
- Germany shares our concern for promoting a stable, democratic, and prospering Russia, and has worked closely with us to achieve these ends.
- Germany has supported our initiative on re-structuring and privatization, and explores with us ways to ensure that assistance is delivered in an efficient and coordinated manner.

NATO, PFP, AND SECURITY IN THE EAST

GERMANY AND NATO

Q: How well are Germany and the U.S. working together to implement the Partnership for Peace?

- A. - Quite well.
- The U.S. and Germany worked very closely to launch PFP at the NATO Summit in January. Our close cooperation continues as we implement the Partnership.
 - In fact, Germany has agreed to host one of the first PFP activities later this year.

NATO EXPANSION

Q: But several German officials have advocated NATO's expansion to the East sooner rather than later. What is the U.S. view of NATO expansion?

- A. - As I said in Prague last January, we are committed to NATO's expansion. The question is no longer whether NATO will take in new members, but when and how we will do it.
- NATO can contribute to building greater stability and addressing some of the most immediate security problems in the East. It has begun to do so through the liaison program of the North Atlantic Cooperation Council (NACC) and Partnership for Peace (PFP).
 - Germany agrees with us on expeditious implementation of PFP.

RUSSIAN TROOP DEPLOYMENTS IN THE "NEAR ABROAD"

Q: What is the US view of Russian peacekeeping operations and other troop deployments in the so-called "near abroad?"

- A. - It has been a fundamental objective of US policy to support the sovereignty, independence, and territorial integrity of the New Independent States and the Baltics. Russia has said it accepted these principles.
- It is critical that Russia neither assert nor exercise any special role or prerogatives that would be inconsistent with these principles.
- Our view is that states, including Russia, may maintain military forces in other states only with the consent of the host state and if those forces operate in strict accordance with international norms and standards, such as those of the UN and CSCE.

Q: How has the United States responded to Russian requests for UN approval for its peacekeeping activities?

- A. - Russian involvement in peacekeeping should reinforce political settlements sought by sovereign members of the CIS.
- The Russian role must be desired by all of the parties to the particular dispute.
- The role of Russian forces must be neutral and carried out under the principles of the UN Charter or CSCE and subject to international oversight.
- It must be based on maintaining the independence, sovereignty, and territorial integrity of the New Independent States.
- A process aimed at achieving a political settlement of the dispute must be underway.

U.S. MILITARY DRAWDOWN

Q: The Cold War is over, why do we need troops here?

- A. - By the end of 1996, U.S. forces in Europe will have been cut to approximately one-third their Cold War level. The residual level will provide essential, visible confirmation of continuing U.S. engagement in Europe and will allow us to meet all of our NATO and bilateral commitments.
- We have learned from history that U.S. national interests are best served by remaining engaged in Europe. Helping to ensure stability, peace, and prosperity now is far superior to returning later when opportunities for peaceful solutions to problems have disappeared.
- We deeply appreciate Germany's stalwart stance in hosting NATO and U.S. forces for the common defense.

Q: What role should the U.S. be playing in Europe, a Europe apparently still unable to take care of its own problems?

- A. - The United States remains closely tied to Europe, politically, economically, and culturally. The trans-Atlantic community which has developed over the past 50 years has been strengthened through our participation in NATO and our encouragement of European unity.
- We are reminded -- by events in Bosnia, for example -- of the need to remain engaged in Europe. The United States will continue to strive together with our European allies and friends for peace and to pursue our common values.

RUSSIA AND THE NIS

Q. Why isn't the European Union doing more on Russian aid? After all, it's their backyard?

- A.
- The European Commission and EU member states have accounted for over 70% of the \$80 billion-plus in total G-7 commitments to the NIS (as of January).
 - The U.S. and other G-7 members agree that no one country or institution could or should shoulder the burden alone on aid to Russia and the other NIS. Also, it is vital that the international financial institutions be centrally involved in providing assistance.
 - Only through joint and concerted effort can we help these countries establish democratic institutions and a market economy.
 - Moreover, the EU is playing a major role in assistance to Russia and the other NIS states.

CENTRAL AND EASTERN EUROPE

Q: What are the U.S. and European Union (EU) doing to cooperate on assistance to Central and Eastern Europe (CEE) and the New Independent States (NIS)?

- A.
- Cooperation between the U.S. and EU on assistance issues is close and wide-ranging.
 - In Central and Eastern Europe (CEE), we work closely with EU officials through the Group-of-24 process. The G-24 coordinates the assistance activities of Organization for Economic Cooperation and Development (OECD) members and is chaired by the European Commission.
 - One new area for cooperation in the G-24 is in the area of democracy building. The U.S. and the EU have taken the lead on coordinating democracy building programs in the CEE countries so that we can benefit from the experiences of other donors and organizations engaged in this work.
 - Our cooperation on CEE and NIS aid includes regular exchanges with EU officials in Brussels. Following on our commitment this spring, we are now exchanging ideas for cooperation on specific projects in CEE and NIS. Increasingly, our assistance providers are consulting with each other in the field.
 - In addition, we cooperate with individual EU member states on Russian assistance through the Support Implementation Group in Moscow.

Q: What about burdensharing in Central and Eastern Europe (CEE)? Is the U.S. doing its fair share? After all, the EU has borne the brunt of increased CEE exports.

- A. - The EU is benefiting from increased trade with CEE. While EU imports from CEE are up 50 percent from 1990, its exports to the CEE more than doubled, and the EU had a \$3 billion trade surplus with the CEE in 1993 (in 1990, the EU had a trade deficit with CEE states).
- The U.S. has been heavily involved in CEE. Through June 1993, the U.S. committed over \$8 billion in assistance. This assistance is now primarily through the United States Program of Support for East European Democracy (SEED). This makes the U.S. the second largest bilateral donor after Germany, which committed over \$10 billion.
- In addition, we have a program -- the United States Program of Support for East European Democracy (SEED) -- dedicated exclusively to coordinating our assistance to this region.
- The U.S. is the top donor of grant assistance with \$4.7 billion -- 65 percent of our total aid. Most other donors' assistance has been in the form of credits and guarantees that increase CEE indebtedness.

Q: Did you discuss with Chancellor Kohl and President Delors European Union restrictions on exports from Central and Eastern European (CEE) countries? Isn't the EU hypocritical and predatory in flooding CEE markets with subsidized farm goods?

- A. - We did discuss market access for the Central and East European countries. We agree that helping remove barriers these countries face in developing normal trading patterns is a critical part of the reform process.
- The EU has made market opening commitments in its association agreements with the CEE.
- It is unfortunate that subsidized EU agricultural exports to the CEE and to the New Independent States are denying both U.S. and CEE farmers markets; as during the GATT negotiations, we urge the EU and others to cut such subsidized exports.

Q: What is the U.S. doing to increase market access to the Central and Eastern European (CEE) countries?

- A.
- Although assistance for the countries of Central and Eastern Europe is vitally important, we and the Europeans recognize the importance of increased trade to the transformation process.
 - We have extended Most Favored Nation (MFN) status to all of the countries of the region except Serbia/Montenegro.
 - These countries, except Serbia/Montenegro, also enjoy the benefits of our Generalized System of Preferences (GSP) program, which permits the duty-free entry of a wide range of products into the United States.
 - We have taken steps to reduce those few barriers which remain to sensitive exports from Central and East European countries.
 - We have, for example, negotiated generous textile agreements with most CEEs.
 - With the Uruguay Round, we are eliminating additional barriers to Central and East European exports, and we continue to look for other steps we may be able to take to increase their access.

BOSNIA/FORMER YUGOSLAVIA

Q: What is the status of the cease-fire? Is the contact group scheduled to meet again? Will the U.S. join with the EU to pressure Bosnia to accept the 51/49 territorial concept?

- A. - Special Representative Akashi managed to broker a one-month cease-fire, with hostilities to cease by June 10. While we supported a four-month agreement, we have said there is no particular magic about the time period.
- The contact group meets frequently and regularly, and will meet again in the near future.
- While we have endorsed a 51/49 territorial concept within a Bosnian union, it remains our policy that the U.S. will not force a settlement on the parties.

Q. With some European countries talking of withdrawing their peacekeeping forces if negotiations bog down, is the U.S. prepared to deploy its own troops?

- A. - The United States, under certain conditions, is prepared to participate militarily to help implement a viable settlement in Bosnia voluntarily reached by the parties if they show evidence of implementing it in good faith.
- We also would want Congressional support for U.S. participation.
- We would seek such support if the operation were clearly under NATO command, if the means of carrying out the mission were equivalent to the mission, and if these purposes were clear in scope and time.
- We continue to believe peace can only be achieved at the negotiating table, not on the battlefield.

Q. What is the possibility of lifting the arms embargo?

- A. - Despite recent votes in Congress in support of a unilateral lifting of the arms embargo, our European allies remain wary of such a move due to safety concerns for their troops now in Bosnia as part of UNPROFOR.
- Our administration has long maintained that the UN-imposed arms embargo as it applies to Bosnia unfairly penalized the victim of the conflict. But it is our view that certain negative consequences will result from lifting the embargo unilaterally.
- While such a move remains an option, we will make every effort to get both sides to embrace a plan that can be the basis of a full and final cessation of hostilities.

Q. Will the U.S. push for a tightening of sanctions against Serbia? Will the U.S. push for settlement in Kosovo and Krajina as a condition for lifting sanctions?

- A. - We have repeatedly called for strengthening of sanctions through the use of additional monitors to keep pressure on the Serbs to settle.
- Although the effectiveness of the sanctions has been questioned, we believe Serbia has nearly exhausted its hard-currency reserves in an effort to prop up its economy.
- We believe continued application of the sanctions is important to bring about a meaningful negotiated settlement.

A settlement in Kosovo and Krajina is essential in order to establish a long-lasting peace in the region. We must be careful that a suspension of sanctions following a settlement in Bosnia does not lead to an outbreak of fighting in these other volatile areas.

- We believe total sanction relief should be linked to a settlement in Krajina. The UN Security Council in Resolution 871, recognized this linkage. We also see a need to link the latter stages of sanctions relief to Kosovo as well.

F.Y.R.O.M. AND GREECE

Q: How is the U.S. responding to the continuing Greek embargo against the Former Yugoslav Republic of Macedonia (F.Y.R.O.M.)?

- A:
- I, along with other senior U.S. government officials, have consistently stressed to both parties the need for flexibility in resolving the dispute.
 - We have also called on Greece to lift the embargo. When I met with Prime Minister Papandreou in April, I personally encouraged him to address this issue urgently.
 - On March 18, I appointed Matthew Nimetz as Special Envoy for Greece and Macedonia. Mr. Nimetz has worked closely with UN representative Cyrus Vance and with the EU in seeking a solution to the dispute that is acceptable to both sides.
 - The two sides met with Mr. Vance and Mr. Nimetz in New York in June to continue efforts to resolve this dispute.

MIDDLE EAST

Q: Did you discuss the Middle East Peace Process?

- A. - The EU is a key supporter of the Middle East peace process, and U.S.-EU dialogue and coordination on this issue is tremendously important.
- We had a good discussion of the current situation, and I believe our thinking is in synch on next steps and how best to support the process.
- We will continue to coordinate, both bilaterally and through established mechanisms, such as the Ad Hoc Liaison Group and the Regional Economic Development Working Group, which the EU chairs.

Q: Will the U.S. and EU cooperate on Algeria and the Maghreb problem?

- A. - We discussed the situation in the Maghreb and had a good exchange of views on the region, including Algeria.
- The EU shares our concerns about the potential for instability and violence in the region, and both we and the EU are looking for ways in which we can best support the strengthening of democratic, free-market forces there.
- We are continuing our dialogue on this subject.

Q: Do the U.S. and EU continue to have differences over Iran?

- A. - U.S. and the EU share common objectives vis-a-vis Iran; where we may sometimes differ with some members of the EU is on the most effective approach to achieve these objectives.

Q: What are the U.S. and the EU doing to address Iran's unacceptable behaviour?

- A. - We are working to bring international pressure on Iran and actively seeking the support of our Allies. As part of this effort, in 1993 we established the U.S.-EU-Canada Working Group on Iran, a forum in which experts and senior policy officials meet periodically to exchange information and forge common understanding about their policies on Iran.
- We continue to participate actively in this working group dialogue, as a demonstration of our commitment not to reward counterproductive actions by Tehran and to encourage constructive Iranian policies.

MECHANISMS FOR ENHANCING THE U.S.-EU DIALOGUE

Q: Can you discuss in more detail your agreement to establish study groups on Central and Eastern Europe and U.S.-EU discussions?

- A.
- Both we and the EU are focusing on helping to sustain the transition in the East to strong and stable free-market democracies. We do so because we recognize that ultimately our own political, economic, and military security depends on it.
 - Given our common objectives in the region, there seemed to be a need to reexamine what each of us is doing in the region and determine whether there are areas where our efforts overlap or duplicate each other's. Also, there may be areas in which action is needed but neither we nor the EU is adequately addressing the situation.
 - The ad hoc study group on Central and Eastern Europe will be a forum in which our experts and policymakers can consult, exchange information, and examine options for possible coordination or rationalization of U.S. and EU efforts in the region.
 - Similarly, the ad hoc study group on U.S.-EU consultations will look at how consultations should be streamlined or enhanced, as well as how we can establish formal consultative links to the EU's new "Third Pillar" of intergovernmental coordination on home/justice affairs.
 - Both study groups will make specific recommendations, to be considered at the U.S.-EU Summit which occurs during the next EU presidency, that of France. At that time, the study groups will be dissolved.

Q: Does the establishment of a U.S.-EU study group on the consultative process indicate problems in the relationship?

- A.
- To the contrary, the establishment of the study group demonstrates the vitality of our transatlantic ties and our commitment to work together.
 - The study group provides a forum in which the U.S. and the EU potentially can begin to discuss and consider ways in which our policies can be coordinated. Until now, our dialogue on this and other regions has mostly been confined to the exchange of information.

- Q: You have said you support deeper European integration. Have EU economic problems and its failures in Bosnia caused you to reconsider the value of the EU as a partner?
- A. - Absolutely not. I continue to believe that European integration strengthens the effectiveness of the EU and by extension the effectiveness of the U.S.-EU partnership.
- Q: What is your reaction to the European Parliamentary elections held June 9 and 12? Does the strengthening of far right representation in some EU countries bother you?
- A. - The European Parliament is perhaps the clearest and most direct means of expression by the electorate of the European Union. As such, it deserves our respect and support.
- While my European colleagues can speak more authoritatively to the various causes and factors in the results of the EP elections, I think it is important for us to focus on the strengthening democratic processes within the EU, and to support them.
- Q: Given the outcome of the Austrian referendum, what is the U.S. position on broadening European integration?
- A. - We do not take a position on expanded EU membership, or on the prospective memberships of the four applicants under consideration now. That said, we support the positive decision on EU membership made by the Austrian people in their June 12 referendum.
- While we support European integration, EU membership is an internal matter for an individual nation to decide. Similarly, whether the EU should expand its membership is a matter for the EU member states themselves to determine.
- Q: How will the departure of Jacques Delors affect U.S.-EU relations?
- A. - In my many meetings with President Delors, I have been truly impressed by his energy and intellect. Generally regarded as a man of uncommon vision and commitment to the European ideal, he has never lost sight of the practical concerns of the working man and woman. We have often discussed many issues of special concern to us both, such as health care and unemployment and competitiveness. I was pleased he was able to participate in the Detroit Jobs Conference we had this spring.
- The extent of U.S.-EU relations, however, is so broad and deep as to transcend any one person, no matter how influential. We will welcome President Delors' successor and make every effort to continue the cordial and productive relationship we have enjoyed under President Delors' tenure.

ENERGY CHARTER TREATY

(To be revised 6/17: negotiations ongoing)

- Q: What are the differences in the positions of the U.S. and the EU on the Energy Charter Treaty (ECT)? Will these differences prevent the U.S. from signing the treaty?
- A.
- The U.S. cannot sign the Chairman's Compromise Text of the ECT because it fails to take account of longstanding U.S. positions in the negotiations. We do want to sign a better ECT, and are willing to continue working to arrive at an acceptable text.
 - We have differences with the EU over 3 major issues:
 - Sub-Federal: The Chairman's text would make the ECT fully binding on our States. The U.S. needs an exception for certain non-conforming state laws.
 - Essentially, we want to give the same treatment the U.S. gave in the NAFTA and GATS agreements.
 - Exceptions to National Treatment post-establishment: The Chairman's text does not allow the U.S. an exception to national treatment for a few sensitive national programs, such as OPIC grants, affirmative action and minority assistance and set aside programs, and energy R&D grants.
 - We need limited exceptions for these programs to have any realistic chance of getting the treaty ratified.
 - REIO/EIA exception: The "Regional Economic Integration Organization" or "Economic Integration Agreement" exception is a very broad and vaguely worded exception for benefits of belonging to or being associated with economic integration organizations such as the EU.
 - We do not believe any REIO exception is necessary in the first ECT, and only a more limited one in the second ECT.

POPULATION ISSUES

Q: How are the U.S. and the EU cooperating on the upcoming UN International Conference on Population and Development (ICPD)? Are there differences over abortion and birth control?

- A:
- The U.S. and the EU have worked closely throughout the ICPD process. Prior to the final Preparatory Committee (Prepcom) meeting in April, state department officials attended a productive bilateral meeting in Brussels to discuss preparations.
 - At the Prepcom, the U.S. delegation worked closely with the EU and a bilateral meeting was held between Under Secretary Wirth and leaders of the EU delegation.
 - The EU reflects a diversity of views on many of the most sensitive issues in the draft Program of Action (for example, with respect to abortion, the Nordics continue to favor broad access, whereas Ireland opposes access to safe abortion services beyond saving the life of the mother).
 - The U.S. is hopeful that proposals reflecting the diversity of views within the EU can serve as a constructive basis for consensus language at the Cairo conference.

US - EU COOPERATION ON CRIME

Q: What measures are the United States and EU taking to combat transnational crime, especially in the East?

- A.
- DEA is working with the EU and its TASIC program (an umbrella program for assistance to Russia and the NIS) to run a joint counter-narcotics conference for Russian and NIS states in Salzburg in September.
 - At our request the UN Crime Branch in Vienna has agreed to serve as a clearing house for information on training assistance to Eastern Europe. The U.S. has provided the Branch with information on U.S. assistance programs and asked EU states to contribute as well.
 - The U.S. is interested in developing a joint US-EU seminar on organized crime investigations for the Russians and NIS states.

ENVIRONMENTAL ISSUES

Q: What environmental issues came up during your talks?

- A. - We agreed that we need to continue the positive momentum in this area following the 1992 Earth Summit.
- The U.S. and the EU are seeking to press ahead in our cooperation in the following major areas: meeting our commitments to return greenhouse gas emissions to their 1990 levels by the year 2000; ratifying the biodiversity convention and pressing for its effective implementation; and focusing on the conservation and sustainable management of forests.

TRADE AND INVESTMENT ISSUES

Q. Will the United States implement the Uruguay Round agreement and the World Trade Organization (WTO) this year?

- A. - The United States has led the global effort to reduce trade barriers and expand trade for more than half a century. The Uruguay Round represents the most important step in that effort.
- This agreement will create hundred of thousands of jobs in the United States alone. Moreover, it will lead to a freer, fairer and more effective global trading system that lays the foundation for prosperity into the next century.
- I intend to transmit implementing legislation to our Congress soon and am committed to seeking bipartisan support for its passage this year.
- I urge all countries to work for prompt approval of the Uruguay Round Agreement in order for the new World Trade Organization to take effect on January 1, 1995.
- (If asked) My administration is currently working closely with Congress to identify sources of funding for the Agreement.

TRADE AND INVESTMENT ISSUES

Q: Will differences on audiovisual issues between the United States and the European Union escalate?

- We believe a process of constructive engagement on audiovisual issues will prevent the escalation of differences between the U.S. and the EU.
- Through Since the conclusion of the Uruguay Round negotiations the U.S. has engaged the EU and other countries in an effort to convince them that they have much to gain from an open world market in audiovisual services.
- Through government and industry consultations we are discussing constructive approaches for addressing a range of audiovisual issues and provide the basis for building a constructive U.S.-EU audiovisual services relationship.

TRADE AND INVESTMENT ISSUES

Q: How does the U.S. respond to the increasing incidence of U.S. legislation that provides for conditional national treatment for foreign investors? Doesn't this undermine the long-held principle of national treatment?

- A.
- The U.S. economy is among the most open in the world to foreign investors. The U.S. maintains few restrictions on establishment of foreign-owned firms. In almost every area of economic activity, foreign investors are assured open access and nondiscriminatory treatment.
 - In part as a result of our open policies, the U.S. is the largest recipient of foreign direct investment in the world.
 - The U.S. Congress has passed several bills containing measures that condition national treatment of foreign investors in a small number of federally-funded technology research and development programs.
 - The scope of the provisions is limited. Foreign investors are not barred from participating if their home countries provide access to U.S. firms for comparable programs. Thus, those countries with open markets and adequate protection of intellectual property rights would not be affected.
 - The U.S. continues to uphold the principle of national treatment. The limited measures in U.S. law that condition national treatment were designed by the Congress to open markets overseas to U.S. investors, not to protect them at home from foreign competition.
 - The U.S. continues to support strongly an open international investment regime and will work hard to establish and implement bilateral and multilateral commitments for the free flow of investment capital.

PRESS QUESTIONS AND ANSWERS

ASSISTANCE TO POLAND

Q: You talk a lot about assistance to Poland, but isn't it true that you are now focusing almost exclusively on Russia at the expense of Central and Eastern Europe?

- A. - No, we aren't focusing exclusively on Russia. Our assistance to Central and Eastern Europe and to the NIS has common objectives -- democracy, free markets, good neighborly foreign relations -- because of common problems of the post-communist heritage.
- What happens in each region affects the other, and they both tell us so.
 - Assistance programs to Central and Eastern Europe are now being replicated in the NIS -- enterprise funds, joint humanitarian commissions. Common programs for the 90's help redirect massive resources and infrastructure to new goals.
 - These programs are working in Central and Eastern Europe -- some countries are graduating already -- and we believe they can work to the east.
 - Our programs are taking place on the margins of that great transformation; no outsider can substitute for the reform impulse.
 - But at the margins assistance can be critical, and can make a historic difference. We've seen this in Central and Eastern Europe, and we're seeing it in the NIS.
 - Regarding Poland, since 1990 the U.S. has provided about \$4.5 billion in financial support, including \$2.4 billion in debt relief and support through our OPIC, EXIMBANK, AID and PL-480 programs. These programs together have made Poland the single largest recipient of U.S. financial support in Central and Eastern Europe.
 - As a part of this support, through FY 1993, the U.S. devoted approximately \$600 million in funds under the Support for East European Democracy (SEED) program to Poland for grant technical assistance, training and other activities to support Poland's transition to democracy and a market economy.

- One major program has been the privately-managed Polish-American Enterprise Fund, which is the largest single activity in the U.S. assistance portfolio. The Fund offers loans, equity capital, and technical assistance directly to private firms to promote private sector development. Its small loan program has provided over 2,500 loans, worth over \$60 million, to private entrepreneurs, resulting in the creation of approximately 7,800 new jobs.
- An initiative I announced in Prague is a Trade and Investment Conference that will bring together American business leaders and Central and East European government and private sector figures to identify ways to increase trade and investment between the U.S. and CEE. We plan to hold that Conference in Washington this fall.

US POLICY

Q: What are U.S. policy goals towards Poland?

- A. - For Poland -- and indeed, for all the countries of Central and Eastern Europe -- the U.S. seeks constructive, mutually beneficial relations between free, democratic and prosperous nations. It is in our interest to see the establishment of a well-functioning democracy and a prospering, free market economy with full respect for human rights. Poland is well on its way to achieving these goals, which the U.S. has supported politically and materially from the outset of Poland's transformation. We will continue to try to help consolidate this already significant progress in democratic and market reform.

U.S. RELATIONS WITH POLAND

Q: How does the U.S. see U.S./Polish relations?

- A. - Relations between the U.S. and Poland are excellent. The United States has worked well with the government of Prime Minister Pawlak, as we have with all the recent Polish governments. The Polish people and their governments have repeatedly demonstrated a strong commitment to the policies of reform. We will continue to support Poland as it builds on its successes.

- We have an ongoing high-level dialogue on a variety of issues with the Polish government. In the past year alone, I have met with both President Walesa (va-WEN-sa) and Prime Minister Pawlak (PAHV-lahk), Vice President Gore has visited Warsaw, Minister Olechowski (oh-leh-HOFF-ski) saw Secretary Christopher and others in Washington on two separate visits, and Minister Kolodziejczyk (koh-woh-JAY-chik) met with Defense Secretary Perry and Deputy Secretary of State Talbott during his trip to the U.S. Other, working level, contacts are all but continuous. This is the sort of exchange we have only with our most valued friends, among whom we place Poland.

NATO ISSUES

Q: Why has the U.S allowed Russia to veto Poland joining NATO?

- A.
- NATO has most certainly not allowed Russia to veto the future expansion of the Alliance. NATO leaders at their January Summit stated that they expect and would welcome an evolutionary expansion of NATO to democratic states to the east. The question is thus no longer whether NATO will take on new members, but when and how it will do so.
 - In considering membership issues, NATO will take account of the overall European security situation and the ability of prospective members to meet the responsibilities that NATO membership entails. But no state outside the Alliance will have a "veto" over NATO decisions.
 - We take very seriously the collective defense obligations NATO membership involves; extension of NATO security guarantees to new countries is not something which can or should be undertaken lightly.
 - Expansion of the Alliance through the an evolutionary process will maintain NATO's capabilities and preserve its political coherence and ability to act, while at the same time permitting adjustments to be made as events and developments might warrant.

WARSAW UPRISING

Q: Who will represent the U.S. at the Warsaw Uprising ceremony?

- A. - The U.S. recognizes the importance of the Warsaw Uprising -- the largest uprising against the Axis powers in the entire war -- and the courage of those who took part in it. Indeed, some brave veterans of that event have made their home in the U.S.
- I especially commend President Walesa's determination to make the Warsaw Uprising 50th anniversary ceremonies an act of reconciliation.
 - I will make certain that the U.S. is represented at those ceremonies at a senior level.

TALKS WITH POLISH LEADERS

Q: What did you discuss with the two Polish leaders?

- A. - It was a pleasure to meet with President Walesa (vah-WEN-sa) and Prime Minister Pawlak (PAHV-lahk) once again. As you know, we met in Prague and have stayed in touch since then. Prime Minister Pawlak, in fact, sent me greetings recently by e-mail, which is probably the wave of the future.
- Our talks in person covered a wide variety of topics ranging from Polish economic reform to regional security issues.
 - I was pleased to hear from the Prime Minister that his government will continue the process of economic reform. As you know, the completion of the reform process in Poland is a high priority for the U.S. government and we welcome the chance to work with this government in building on the successes of the past.
 - As for regional security, we discussed the impressive Polish commitment to the Partnership for Peace. Both President Walesa and the Prime Minister explained in detail Poland's views on how best to assure security for the region. I am grateful for their input, which was thoughtful and enlightening.
 - We plan a continuing series of consultations with our Polish friends on this issue, as we work together to develop inclusive security structures appropriate to the new Europe.

POLISH SECURITY NEEDS

Q: What is the U.S. doing to help assure Poland's security needs are met?

- A. - In recent years our military and security cooperation with Poland has expanded dramatically. Our security relationship is now among the best-developed in the region. On the multilateral front, Poland is a member of the North Atlantic Cooperation Council (NACC, pronounced NACK-see) and the Partnership for Peace, as well as CSCE. Bilaterally, the U.S. has provided assistance to Poland in a number of areas:
- The U.S. and Poland have conducted three Bilateral Working Groups on Defense Matters, the last one in May. These regular fora involve consultations on regional security, defense cooperation, and bilateral assistance.
 - The U.S. has initiated a program of expanded military-to-military contacts with Poland. A U.S. military liaison team has been resident in Warsaw for well over a year coordinating a military exchanges, visits and seminars. Exchanges of high-level defense officials are frequent. We also conduct a regular program of ship visits to Polish ports.
 - Poland was allocated \$550,000 in International Military Education & Training (military training) funding in FY94, and I expect this figure will be increased substantially. I have asked Congress for \$700,000 in training funds for FY95. Poland has more cadets studying at U.S. Service academies than any other CEE state.
 - This year, Poland also became the beneficiary of a novel DoD-administered pilot project on defense resources management.
 - The U.S. plans to participate in a multinational PFP exercise hosted by Poland later this year - the first such activity to be held outside of NATO territory.

POLISH ECONOMIC SITUATION

Q: How does the U.S. assess the Polish economic situation?
What are the successes and failures?

- A. - Poland has made an amazing transition over the past four years. It has freed prices, removed barriers to trade and established the legal structure for a market economy. It has also established a functioning fiscal system, reduced inflation and begun the process of privatization. As a result, the private sector has emerged as a significant factor in the economy, accounting for more than half of output and employment. In short, Poland has moved more boldly than others and, as a result, has been the first East European economy to turn the corner on growth.
- At the same time, we recognize that significant portions of the Polish population have suffered from the hardships imposed by the economic transition. We are confident, however, that these hardships will lessen as your country continues its turnaround. We are also concerned that, while the GOP has done a solid job in controlling expenditures, the budget deficit -- and off-budget expenditures -- remain large. Progress in privatizing large state firms has also been limited, and the banking system and financial sector more generally remains underdeveloped.
 - In addition, Poles have only begun to reform the system of social benefits in a market economy. This topic is increasingly at the center of public debate and political process. The no longer affordable system of income transfers and other social benefits needs to be "restructured" by the Poles, in keeping with the demands and opportunities of the new market economy.
 - These are all serious problems, all of which will need treatment over the next several years, if Poland is to extend the record of strong, solid and stable growth that it has established over the past two years. Still, Poland's economy appears to be turning around, and 4 percent growth is expected in GDP this year.

Q: The United States has encouraged Poland to grow by trade, rather than aid. What steps has the U.S. taken to support that advice?

- A. - The United States took steps in the immediate aftermath of the 1989 revolution to significantly liberalize its trade with Poland. We extended MFN status and GSP privileges to Poland, ended all quotas on steel imports, and substantially increased Poland's textile quotas under the multifibre arrangement.

- In addition, we supported Poland's redesignation as a market economy, which frees it from some of the more onerous features of our anti-dumping laws for non-market economies. Finally, under the Uruguay Round agreements, we have committed ourselves to the tariffication and eventual elimination of all cheese and textile quotas for all nations in the world -- including Poland -- over a ten year period.
- The net result of all these steps is that the majority of Polish goods now enter the United States entirely free of all duties. We look forward to more trade with Poland and, in fact, will hold a Conference on Trade and Investment this Fall, whose purpose will be to promote even stronger economic ties among the United States, Poland and the other states of Eastern Europe.

Q: What can Poland do to attract more foreign investment?

- A. Poland has already taken many of the steps it needs to take to attract foreign investment, simply by establishing a stable macro-economic framework for the economy, introducing a convertible currency, opening up opportunities for foreign investment and establishing the legal framework for a market system. It has also been rewarded by very substantial capital inflows -- enough to more than balance a \$2 billion trade deficit.
- But there is still more that can be done. Tax laws are still confusing for foreign investors, accounting standards and practices are poorly developed and the country's basic infrastructure remains below Western standards. As a consequence, Poland has still not reached its full potential as a site for long-term foreign direct investment. Continuing the process of reform will help to attract greater interest.

PAWLAK GOVERNMENT

Q: How does the U.S. assess the Pawlak government?

- We are very pleased that the PM's government has repeatedly and publicly committed itself to continue the successful reform policy of the past and has so far pursued policies designed to keep reforms going forward. The new budget is a concrete reflection of this commitment, although we are concerned about large off-budget expenditures. The United States, other Western nations, and international financial institutions will assess the economic policies of the new Polish government by the same standards applied to those of its predecessors, and will be looking above all at results. So far, those results look pretty good.

POST-COMMUNIST RETURN

Q: What is the U.S. view of the return of former communists to power in a number of Central and Eastern European countries, such as Lithuania and Poland?

- We are more interested in a government's policies and results than in the political labels that apply to it. We are committed to work with any democratically elected Central and Eastern European government that supports political and economic reform, human rights, respect for neighbors, and good relations with the United States. Thus U.S. relations with Poland and Lithuania are excellent.

UKRAINE

Q: Ukraine is a key factor in Poland's foreign policy approach. Where does Ukraine fit in with the United States?

- Since President Clinton's January 12 meeting in Ukraine with President Kravchuk, the stage has been set for a qualitatively new era in our bilateral relations.
- Ukraine President Kravchuk's agreement to join the U.S. and Russia in signing the January 14 Trilateral Statement, followed by the Ukrainian parliament's February 3 ratification of START I, put into motion a shift in emphasis from nuclear weapons-related issues to Ukraine's urgent need for economic assistance.
- The most important item of nuclear weapons-related business left is Ukraine's accession to the Non-Proliferation Treaty as a non-nuclear weapons state, which Ukraine has obliged itself to do in the shortest possible time.
- President Kravchuk's March 3-5 visit to Washington helped to give momentum to this new era in bilateral relations.
- The theme of the visit, the transition in our relations from security issues to a broad focus on economic and political issues, demonstrates our mutual commitment to a democratically strong, economically stable, independent and sovereign Ukraine.
- President Clinton joined Kravchuk on March 4 in announcing a new program of cooperation aimed at stimulating Ukraine's economic reform, particularly in such areas as banking, privatization, democratization, energy and environment.

- This and other commitments for assistance, including Nunn-Lugar funding, amount to \$700 million -- double last year's -- half of which will assist Ukraine with its nuclear dismantlement, and half, its economic programs.
- Full utilization of economic assistance will depend heavily on Ukraine's progress in implementing a comprehensive economic reform program.

Q. What is the political situation in Russia at the moment?

- A. - President Yeltsin has spent recent months calling for national reconciliation and attempting to create a broad consensus on Russian domestic, economic, and foreign policy.
- Most political figures in Russia have agreed with President Yeltsin that national reconciliation is among their most important goals at this time.
 - Meanwhile, Russian efforts to create and strengthen the institutions of a lasting democracy are moving forward.
 - We continue to do all we can to work with Russia in the development of these institutions according to the guidelines laid out in the new Russian Constitution.

Q. What is the U.S. doing to bolster the other NIS, especially Ukraine?

- A. - Very quickly after the dissolution of the Soviet Union, the United States moved to establish diplomatic and political ties with all twelve of the NIS by opening embassies and initiating other contacts. A number of economic agreements, such as bilateral trade agreements granting MFN, bilateral investment treaties, double taxation treaties, and OPIC agreements, have been negotiated and signed with many of the NIS. Some are still being negotiated or are awaiting ratification. Other measures include providing EXIM guarantees and our participation in World Bank Consultative Groups. Economic assistance is also provided through measures initiated through the G-7.
- In addition, in 1992 the U.S. created a bilateral assistance program under the FREEDOM Support Act, designed especially to meet the needs of the NIS as nations in transition.

- With respect to Ukraine, both OPIC and bilateral trade agreements granting MFN have been in effect since 1992. During President Kravchuk's visit to Washington in March, double taxation and bilateral investment treaties were signed and reduced tariffs granted under the GSP program.
- The U.S. places great importance on its relationship with Ukraine for many reasons: its strategic importance in the heart of Europe and as Russia's neighbor, its size, its enormous economic potential, and the Ukrainian diaspora in the U.S.
- In recent months, we have moved to a greater focus on economic and democratic reform. We believe it is in Ukraine's best interest both economically and politically to undertake such reforms.
- In March, you reached agreement with President Kravchuk on an expanded economic assistance package that will provide UP TO \$700 million in FY94.
- \$240 million will be in the form of grant technical and humanitarian assistance, \$60 million in USDA Concessional Credits and Credit Guarantees, and \$50 million in OPIC insurance and financing. Economic assistance related to economic reform will be contingent upon Ukraine undertaking concrete measures necessary for that assistance to be effective. For instance, we have agreed to establish an Enterprise Fund modeled after the successful Eastern European funds. Privatization is required in order to access these funds.
- Another \$350 million in Nunn-Lugar funds will be used to help with nuclear dismantlement, non-proliferation programs and defense conversion.

GERMAN POLICY TOWARD IRAN

Q. How serious are disagreements between the U.S. and Germany on policy toward Iran?

A: -- The U.S. and Germany share common objectives in our policies toward Iran. We both object to Iran's support for terrorism, efforts to acquire weapons of mass destruction, efforts to block the Middle East peace process through violence, and its dismal human rights record.

-- The U.S. Government is concerned, however, that the German dialogue with Iran combined with favorable financial treatment may encourage Iran to think that it can improve relations with the West without changing its behavior.

POSSIBLE CHANGE IN GERMAN GOVERNMENT

Q. Would the U.S. be able to work well with a potential German government led by the Social Democratic Party?

A. -- We have excellent relations with the current coalition government, headed by Chancellor Kohl.

-- We would not expect that a change in government would significantly affect bilateral relations.

Q. How would the inclusion of the Green party in a future governing coalition affect German relations with the U.S.?

A. -- While the Green Party has never served in a coalition at the federal level, we would not expect negative effects on U.S.-German relations if it were a coalition partner.

PEACEKEEPING AND "OUT-OF-AREA" MISSIONS

Q. Is the U.S. satisfied with Germany's contributions to international peacekeeping and humanitarian missions?

- A. -- We have encouraged unified Germany to take on responsibilities and burdens in promoting international security appropriate to its new status in the international system.
- We understand, however, the sensitivity of this question in Germany.
- Germany has in recent years made valuable contributions to international peacekeeping and humanitarian missions in Cambodia, the Adriatic Sea, monitoring the Bosnia No-Fly Zone, and in Somalia.

FAR-RIGHTIST AND ANTI-FOREIGNER VIOLENCE

Q. How concerned is the U.S. by right-wing radicalism and anti-foreigner violence in Germany?

- A. -- American officials have expressed concern about right-wing and anti-foreigner violence in Germany, as well as support for measures taken by German authorities to bring those responsible to justice.
- German officials have expressed their outrage at violence against foreigners, as have the German people in large demonstrations against the violence.
- Germany's democratic society has shown repeatedly over recent decades that it is capable of resisting political extremism. I have no doubt that it will continue to do so.

GERMAN BID FOR PERMANENT UN SECURITY COUNCIL SEAT

Q. What is the U.S. position on Germany's desire for a permanent seat on the U.N. Security Council?

A. -- We support Germany's candidacy.

-- We have under consideration larger questions of expanding the Security Council, such as whether new permanent members should have veto power.

GERMANY'S ROLE IN THE FORMER YUGOSLAVIA

Q. Has Germany played a constructive role in the former Yugoslavia?

- A. -- Germany is playing a large and positive role in Bosnia.
- Germany has actively assisted the efforts of the EU, NATO and UN to bring an end to the war.
- Germany has been very involved in international relief deliveries, sanctions monitoring, and with NATO patrols of the Bosnia No-Fly Zone.
- Germany has also accepted a large number of refugees from the former Yugoslavia.

RELATIONS WITH CENTRAL AND EASTERN EUROPE

Q. What does the U.S. Government think of Germany's efforts to bring Central and Eastern European countries closer to the European Union?

A. -- We support the efforts of Germany, along with its European partners, to promote integration of Western and Eastern Europe.

Q. What is the U.S. position on French Prime Minister Balladur's proposal for a Stability Pact in Europe?

A. -- We support the idea and value our consultations with our European friends and allies on developing the plan more fully.

ASYLUM AND REFUGEES

Q. Do you think that Germany should have a system of legal immigration, much as the U.S. does?

A. -- It is up to each country to decide on its own immigration policies -- consistent with respect for human rights.

Q. Is Germany's law on political asylum consistent with international law? Is it fair?

A. -- Germany's asylum law is generally consistent with international law.

-- Germany has tried hard to preserve the right of asylum while reducing the massive abuse of its system.

PRESS QUESTIONS AND ANSWERS

US POLICY

Q: What are U.S. policy goals towards the Baltic States?

- A. - U.S. policy towards the Baltic States in general is based on the orderly withdrawal of Russian troops from the Baltic States by August 31, 1994, Baltic integration into Western political, economic and security structures, supporting the transition to free market democracy, and the strengthening of bilateral ties with each state.
- We have tried to be helpful on the issue of troop withdrawals by providing assistance for the dismantling of the Skrunda radar facility, the cleanup of the two nuclear reactors at Paldiski, and the departure of many retired and demobilized Russian officers from Estonia and Latvia.
- Through FY93, we have assisted the Baltic States' with approximately \$186 million in developing open market reform, democratic pluralism, and energy efficiency/nuclear safety. We also have supported the CSCE missions in Estonia and Latvia.
 - We consistently have supported Estonia, Latvia and Lithuania's membership in such European institutions as the Council of Europe and the European Union, and we welcome their active participation in Partnership for Peace as we expand our defense and security relationships. We also will work with them in their application for GATT membership.
 - The Baltic Enterprise Fund, the upcoming trade mission; and the recent agreements on Trade, Investment, Intellectual Property Protection, and Science and Technology Cooperation illustrate how we are rapidly building a broad foundation for close bilateral economic cooperation with Estonia, Latvia and Lithuania.

U.S. RELATIONS WITH THE BALTIC STATES

Q: How does the U.S. see U.S./Baltic relations?

- A. -
- Relations between the United States and the Republics of Estonia, Latvia and Lithuania always have been excellent, and will continue to remain so.
- The United States never recognized the forcible incorporation of the Baltic States into the Soviet Union, and we stood firmly beside them during the dark years of occupation. All the while, the Baltic States were well represented diplomatically by their legations in the United States, and Baltic gold and other assets remained secure. The nearly one million Americans of Baltic descent were instrumental in reminding us and the world of conditions in Estonia, Latvia and Lithuania during those years, and now play an important role in promoting political and economic reform in those three democracies. We were proud to recognize the independence of the Baltic States from the Soviet Union in 1991, and we have consistently pressed Russia for the speedy, unconditional, and total withdrawal of its troops from the Baltic States.
- Now that this era has nearly reached completion, the United States eagerly looks forward to open a new door on our relations and focus more fully on our bilateral ties with each Republic. We believe that this primarily will happen through trade, investment, and cooperative projects in the fields of science, technology, and regional security.

NATO ISSUES

Q: Why has the U.S allowed Russia to veto Lithuania and other countries in CEE from joining NATO?

- A. - NATO has most certainly not allowed Russia to veto the future expansion of the Alliance. NATO leaders at their January Summit stated that they expect and would welcome an evolutionary expansion of NATO to democratic states to the east. The question is thus no longer whether NATO will take on new members, but when and how it will do so.
- In considering membership issues, NATO will take account of the overall European security situation and the ability of prospective members to meet the responsibilities tht NATO membership entails. But no state outside the Alliance will have a "veto" over NATO decisions.
- We take very seriously the collective defense obligations NATO membership involves; extension of NATO security guarantees to new countries is not something which can or should be undertaken lightly.
- Expansion of the Alliance through the an evolutionary process will maintain NATO's capabilities and preserve its political coherence and ability to act, while at the same time permitting adjustments to be made as events and developments might warrant.

TALKS WITH BALTIC PRESIDENTS

Q: What did you discuss with the three Baltic presidents?

- A. - I congratulated the three presidents on the progress made toward the total withdrawal of Russian troops from the Baltic States. I announced our readiness to distribute over 1,500 housing vouchers to retired and demobilized Russian officers currently in Estonia and Latvia for their use in returning to Russia. We also discussed the progress of the U.S. contribution to dismantle the uncompleted radar facility at Skrunda, Latvia.

We also talk about how the United States and the Baltic States have entered a new era of relations in the European framework. I welcomed their enthusiastic reception of Partnership for Peace and informed them of our budget proposal to Congress for \$10 million in support of the development of the Baltic Peacekeeping Battalion and similar Central and Eastern European peacekeeping initiatives.

- I formally announced the U.S. board members for the Baltic American Enterprise Fund, which will offer \$50 million in capital to small and medium-sized businesses in the Baltic States in the next 3-4 years. We also discussed our intention to send a trade mission to the Baltic States this fall.
- I expressed great admiration for the pace of ongoing economic reform and the progress each country has made in assisting its ethnic minorities and noncitizen communities to integrate into Baltic society. We also discussed other issues of mutual concern.

BALTIC ECONOMIC SITUATION

Q: How does the U.S. assess the economic situation in each of the Baltic States? What are the successes and failures?

- A. All three countries boast strong currencies and hold annual inflation rates to as low as about 30%.
- Estonia is a regional role model for reform. It has a balanced budget and supports free trade. Privatization is occurring at a fast clip, and more than 75% of its trade is with the West. Over 90% of small and medium-sized firms are in private hands, while two-thirds of large firms have been privatized. Indeed, Estonia has made such progress that we recently announced our intention to phase out gradually our economic assistance by 1996. Only agricultural privatization lags.

Latvia has maintained a positive balance of trade, remained a regional financial center, and followed IMF recommendations. Upon passing a naturalization law, Latvia needs to institute legislation on privatization of enterprises and housing.

In Lithuania, the Government has followed the IMF's recommendations and also passed comprehensive privatization legislation this spring. We look forward to its implementation. Lithuania also has a positive trade balance.

- At the same time, we recognize that significant portions of the Baltic populations have suffered from the hardships imposed by the economic transition. We are confident, however, that these hardships will lessen as each country continues its turnaround.

Q: What can the Baltics do to attract more foreign investment?

- A. The Baltic States have already taken many of the steps it needs to take to attract foreign investment, simply by establishing a stable macro-economic framework for the economy, introducing strong and convertible currencies, opening up opportunities for foreign investment and establishing the legal framework for a market system. Estonia, for example, is virtually tariff-free and boasts a flat tax. All three countries have excellent port facilities and provide natural conduits for trade with the West. The bilateral trade, investment and intellectual property protection agreements also build a secure foundation for foreign trade and investment.
- But there is still more that can be done. All three countries can pursue more comprehensive financial and banking reform. Latvia needs to pass basic privatization legislation for enterprises and housing. Lithuania and Latvia need to develop the necessary infrastructure to meet Western standards for long-term foreign direct investment and allow foreign ownership of property. More, not less, reform and free trade will attract greater interest.

POST-COMMUNIST RETURN

Q: What is the U.S. view of the return of former communists to power in a number of Central and Eastern European countries, such as Lithuania and Poland?

A.. - We are more interested in a government's policies and results than in the political labels that apply to it. We are committed to work with any democratically elected Central and Eastern European government that supports political and economic reform, human rights, respect for neighbors, and good relations with the United States. Thus U.S. relations with Lithuania and Poland are excellent.

SKRUNDA

Q: Did the United States ever have some sort of deal with Russia over the disposition of the Skrunda radar facility?

- A. - The United States had absolutely no formal or informal agreement or arrangement with Russia on the future operation or disposition of the ballistic missile early warning radar in Skrunda, Latvia.
- Apart from its status under the ABM Treaty and recognizing that such radars contribute to strategic stability, the ownership and ultimate disposition of the skrunda radar facility was most appropriately decided between the governments of Latvia and Russia. The United States is pleased that the talks aimed at resolving issues associated with the operation of the Skrunda facility have been successfully concluded. We will work with both parties and with the CSCE to ensure its successful, strict implementation.
- We informed both the Latvian and Russian governments about our position.
- ** The United States has made a commitment to assist Latvia in the dismantlement of the Skrunda Large-Phased-Array Radar. An initial tranche of \$2 million in Department of Defense funds has been identified for this purpose. Additional funding for this project from foreign aid resources is also anticipated, but has not yet been identified. Sweden already has volunteered \$1 million towards this purpose.

U.S. - BALTIC SECURITY RELATIONSHIP

Q: What type of "normal" defense and security relationship does the United States have with each of the Baltic States?

- A. - Since their independence, the U.S. has developed a network of active bilateral and multilateral security relationships with Estonia, Latvia and Lithuania. Our approach has been to use these relations to promote regional stability, demonstrate support for Baltic sovereignty, accelerate the integration of these states with Euroatlantic institutions, and foster the development of civilian control of the fledgling armed forces.
- In May, we conducted Bilateral Working Groups -- consultations on regional security, defense cooperation, and bilateral assistance -- with each of the Baltic states. We also conduct an expanded program of high-level visits, ship visits, and exchanges of defense officials.
 - Each of the Baltic states also participates in U.S.-administered programs such as IMET and the Joint Contact Team Program (which oversees military-military exchanges).
 - Subject to case-by-case review, all of the Baltic states are also eligible to receive U.S. Government-origin defense articles and defense services through the Foreign Military Sales program. They are also eligible to receive grant, non-lethal excess defense articles from the U.S. To date, actual transfers have been minimal.
 - The Administration has proposed to Congress a \$10 million program in FY 1995 to support regional peacekeeping units in Central and Eastern Europe, including the Baltic Peacekeeping Battalion being established jointly by these three states.
 - We also hope to expand our security cooperation through NATO's Partnership for Peace, in which all of the Baltic States participate.

ESTONIAN - RUSSIAN TALKS

Q: What is the status of the Estonian - Russian negotiations?
What role has the United States played in these talks?

- .A - We understand that virtually all issues in the Estonian-Russian troop withdrawal negotiations already have been resolved. The key remaining issue concerns the status of Russian military retirees living in Estonia.
- The U.S. has strongly promoted the timely and full withdrawal of all Russian forces from the Baltic States.
 - We have remained actively engaged with both sides in promoting an agreement, and have encouraged them to focus on practical solutions to the outstanding questions.
 - We strongly urge Russia to withdraw its forces from Estonia by August 31, 1994 -- the date Russia proposed to Estonia and Latvia last fall.
 - It is our firm hope that an Estonian-Russian troop withdrawal agreement can be achieved soon. Only 2,500 Russian troops remain in Estonia.
 - We established a \$160 million program for the construction of housing for demobilizing Russian officers returning from the Baltics and elsewhere, and in early April modified the program to make military retirees living in Estonia and Latvia and wishing to resettle in Russia eligible for vouchers that will be made available under the program. 750 vouchers are available in each country.

ETHNIC RUSSIANS IN ESTONIA AND LATVIA

Q: What is the United States position on the status of ethnic Russians in Estonia and Latvia? Do you see the issue of troop withdrawal linked to the Balts' treatment of ethnic Russians?

- A. - We see no link between Estonia's and Latvia's treatment of ethnic Russians and the speedy and unconditional withdrawal of Russian forces from the Baltic States, but there are a number of ways that we can assist in addressing this practical problem.
- Because of our concern for the protection of human rights worldwide, we have supported the visits to Estonia and Latvia of numerous international human rights experts from non-government and inter-governmental and organizations. We agree with their conclusions that there are no pattern of human rights violations there, but also have strongly encouraged Estonia and Latvia to accept the presence of resident CSCE missions to monitor these political conditions, offer support to the host governments in drafting legislation affecting these Russians, and provide ombudsman-like services to the Russian communities.
- While we have attempted to alleviate the situation of retired and demobilized Russian officers in Estonia and Latvia through \$160 million in housing vouchers and housing construction programs, we insist that absolutely no issues be linked to the prompt and orderly withdrawal of Russian troops from the Baltic States.

KALININGRAD

Q: What is the U.S. position on the status of Kaliningrad?

- A. - Kaliningrad involves complex historical questions with significant regional implications. The postwar Potsdam Conference agreed in principle to a Soviet proposal concerning the ultimate transfer of Kaliningrad to the USSR subject to expert examination of the actual frontier; the Two-Plus-Four Agreement settled Germany's border but did not address the status of Königsberg.
- The high concentration of Russian forces and the increasing desire of the other Baltic Sea states for Kaliningrad's demilitarization add to the controversy. We also understand that neighboring countries have disclaimed sovereignty over the region.
- Lithuania and Russia signed a civil transit agreement on Kaliningrad in July 1991, but a military transit agreement still needs to be negotiated and signed. The Russians have withheld implementation of Lithuania's MFN status (signed in November, 1993) until the transit rights problem is resolved.
- We oppose emphatically any approach or solution that does not respect Lithuania's sovereignty. We understand that the Lithuanians have developed better relations with officials in Kaliningrad, and we continue to encourage Lithuania to cultivate good ties with the enclave.

LATVIAN NATURALIZATION LAW

Q: What does the U.S. think about the draft Latvian Law on Naturalization?

A. - The United States believes that the present version is an improvement over earlier drafts but has some questions, most notably the quota system for those not born in Latvia. We continue to encourage the Government of Latvia to work with the Council of Europe and the CSCE to ensure passage and implementation of such a law in keeping with Western standards.

AID PHASEOUT IN ESTONIA

Q: Won't the United States cutoff of aid to Estonia devastate Estonia's attempts to continue radical economic reform?

- A. - Estonia's phased graduation from AID's assistance programs, which will not be completed until 1996, recognizes Estonia's position at the vanguard of Eastern European reform. Its renaissance and reemergence in the Western community has been described by almost everyone as a resounding success, a "political and economic miracle," or as "The Little Country that Could."
- We recognize that Estonia still needs to pursue more comprehensive reform in agriculture and in its banking and financial sectors, and that some sectors of Estonian society have suffered great hardship during Estonia's transition.
 - However, U.S. assistance to Central and Eastern Europe was intended to be temporary: until those countries could reestablish democratic institutions and introduce economic reform. So far, Estonia and the Czech Republic have best succeeded in doing so.
 - The Estonian Government also realizes that its graduation from AID's assistance programs does not mean that other forms of United States Government assistance through different departments terminate. Of note, the U.S. military academies have accepted three Estonian scholars for their programs beginning this year, and the Baltic American Enterprise Fund will provide \$50 million of capital to small and medium-sized enterprises. Rather, this new "partnership of equals" signals a new relationship of mutual benefit in increased cooperation. U.S. support for Estonia's participation in the Baltic Battalion, for example, is indicative of this development.

STABILITY PACT

Q: What does the U.S. think of the Baltic Table of the European Stability Pact?

A. - The U.S. is consulting closely with the European Union on its proposal to establish a Baltic Table as much as we seek the views of concerned states. We welcome the EU's intention to enhance stability and security in Europe through the Stability Pact concept. We will, thus, continue work with the EU to ensure that this initiative contributes to the success of the already ongoing CSCE and other efforts.

CSCE MISSIONS

Q: What is the CSCE's role in the Baltic area?

A. - The CSCE has been very active fostering stability in the Baltic States region. The CSCE has established a mission in Latvia--headed by an American diplomat--which monitors citizenship issues as well as issues related to the withdrawal of Russian troops. The mission to Estonia works to promote stability, dialogue, and understanding between Estonians and Russian-speaking communities. In addition, the CSCE's High Commissioner on National Minorities, Max van der Stoep, has been particularly active in the Baltic area to resolve tensions and disputes involving national minority issues. The U.S. strongly supports these CSCE activities.

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THE RUSSIAN MINORITY IN THE BALTIC STATES

Aside from our usual human rights concerns, a major part of our strategy to promote the withdrawal of Russian troops from the Baltic States has been to press for fair and equitable treatment of the Russian minority. Russia routinely accuses Estonia and Latvia of massive violations of the human rights of their large Russian-speaking population, and often some Russian officials have tried to link these issues with the troop withdrawal issue. ~~While we refuse to accept linkage of these issues--or any issue--to the speedy and unconditional withdrawal of Russian forces from the Baltic States, there are a number of ways that we have tried to assist in addressing this practical problem.~~

We have supported the visits to Estonia and Latvia of numerous international human rights experts from non-government and inter-governmental organizations. We have agreed with their conclusions that there is no pattern of human rights violations there. ~~Nevertheless, we have strongly encouraged Estonia and Latvia to accept the presence of resident CSCE missions to monitor these political conditions, offered support to the host governments in drafting legislation affecting these Russians, and provided ombudsman-like services to the Russian communities.~~

Estonia accepted a CSCE mission in December 1992, and Latvia accepted a CSCE mission in November 1993. We are very pleased with the results of these missions in resolving a number of problems, such as the Aliens Law controversy in Estonia and the provocative behavior of the former Latvian Citizenship and Naturalization Department Director. The CSCE mission in Latvia is headed by an American Foreign Service Officer.

Lithuania

Ethnic Russians comprise only 7% of Lithuania's population, and most of them automatically became citizens under Lithuania's liberal ~~more optional~~ citizenship law of December, 1991. ~~A few ethnic Poles and Russians have raised concerns that the law does not clearly specify equal civil treatment for minorities should they choose not to become citizens. Vilnius, however, states that these minorities do enjoy equal rights, and we have not seen any evidence to contradict that claim. (Unlike its Baltic neighbors, Lithuania did not experience a dramatic proportional rise in the number of postwar non-ethnic Lithuanians. This happened because border adjustments reintroduced a large number of ethnic Lithuanians. In addition, Stalin's Russification policy was not implemented as harshly in agricultural Lithuania as elsewhere. Lithuania is a member of the Council of Europe.~~

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DECLASSIFIED E.O. 13526
Department of State Guidelines, November 6, 2015
By VZ NARA, Date 6/8/2023
2016-0314-M-1

Estonia

Estonia generally has taken a very pragmatic course in addressing the issue of its large ethnic Russian noncitizen community. Roughly 38% of its inhabitants are noncitizens; about 33% are ethnic Russian, most of whom live in the urban, industrialized Northeast, ~~and form overwhelming majorities in many towns and cities there.~~ Estonia allowed its noncitizens to vote in municipal elections and granted citizenship to practically all noncitizens who wanted to run to office. For the elderly and handicapped, Estonia has dropped its language requirement for citizenship, and its citizenship law requires only a three-year residency, two years of which are retroactive. Estonia agreed to most of the revisions proposed by the CSCE to its Law on Aliens from last summer, which substantially eased a potential crisis in Russian-Estonian relations. ~~Until its~~ bureaucracy can issue permanent "green cards" that can also be used as ID and travel documents, Estonia has issued temporary blanket documents for its noncitizens. Privatization in the Northeast has been intentionally delayed so as to dampen the effects of unemployment on the Russian community. In May 1993, ~~Estonia gained full membership in the Council of Europe.~~

Latvia

Latvia has taken a much more hesitant and legalistic approach to dealing with its large noncitizen community. Part of this may be related to the dynamics of the troop withdrawal process, and part from doubts about the loyalty of these ethnics, even though they have not shown an inclination toward organizing politically. As in Estonia, a majority of ethnic Russians supported independence. However, a large number did not and are overwhelmingly anti-Yeltsin in sentiment. Few speak Latvian. While ethnic Russians comprise about the same percentage of the population as in Estonia, ethnic Slavs are 48% of Latvia's inhabitants and control an estimated 80% of the economy. ~~Ethnic Latvians do not comprise a majority in seven of its eight largest cities and form a (powerful) majority only in the countryside. The law on naturalization, accomodating many recommendations from the Council of Europe, recently passed its second reading in parliament with its strict quota system, is contentious and unacceptable to us. We ~~are~~ encourage~~d~~ Latvia to review this aspect of the draft~~ law,

Summary

Western involvement, through bilateral consultations and the CSCE missions, enables us to gain the confidence of Estonian and Latvian officials necessary to make fundamental progress on the issue of the fair and equitable treatment of Russian noncitizens in Estonia and Latvia. We and the Balts realize that it is in

and most other European countries.

It has been remanded to the Parliament for more work.

our interests to have the spirit and letter of their laws accord with Western standards.

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By VR NARA, Date 6/8/2023
2016-0314-A-1

LITHUANIA: POLITICAL-ECONOMIC OVERVIEW

Lithuania is staunchly Catholic nation with a strong sense of national identity dating back to its glory days as a medieval empire, when it stretched from the Baltic to the Black Sea. Subsequently tied in a union with Poland for centuries, Lithuania was an independent nation again from 1918 to 1940, when it was annexed by the USSR. ~~Lithuanian is neither Slavic nor Germanic, but Baltic, the prototypal Indo-European language.~~

Under the leadership of intellectuals, the Lithuanian reform movement Sajudis was formed in mid-1988, declaring a program of democratic and national rights. After fifty years of occupation, in 1990 the Lithuanian Supreme Council declared Lithuania independent from the Soviet Union. The USSR responded with the imposition of a harsh economic blockade, and in January 1991 unsuccessfully tried to overthrow the elected government, killing 13 civilians and injuring hundreds. ~~That February, a national referendum was held in which over 90% of voters approved Lithuania's independence. Soviet military-security forces continued their illegal actions, including forcible conscriptions, seizure of buildings, attacks on customs posts, and killings of customs and police officials.~~ Lithuania finally regained its full independence in August 1991.

A parliamentary democracy, Lithuania has held free and fair elections, and passed a constitution and a lenient citizenship law. It has significantly improved relations with its neighbors, especially Poland, with which it signed a Friendship Treaty in April 1994.

Politico-economic gridlock and economic mismanagement returned the former Communists to power in elections in the autumn of 1992, but they have not fared much better than their predecessors, ~~the government headed by the founder of the Sajudis movement, former President Landsbergis.~~ Politics traditionally has been marred by a disorganized but effectively disruptive opposition.

The new currency is very stable, and inflation has been brought under control (about a 30% annual rate). However, economic reform has stalled. Because it won on the premise of improving social conditions, the Government has shied away from making tough fiscal/privatization decisions. Although it finally passed comprehensive privatization legislation this spring, the opposition has now succeeded in forcing a public referendum on the Government's plan.

On June 2 Prime Minister Slezevicius announced that his Government would resign in accordance with the constitutional requirement to do so when more than half of the cabinet is changed. 29 left-wing members of parliament from the ruling Labor Party (LDDP) also have initiated a vote of no confidence in Slezevicius. While the motion

probably will not carry, it signals a significant fracture--typical of Lithuanian politics--in the LDDP's ability to govern comfortably.

Relations with the United States and the West

A member of the UN, CSCE, NACC and COE, and an associate partner of the WEU, Lithuania also seeks GATT membership.

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Lithuania actively pursues Western security relationships, has formally applied to join NATO, and already has submitted its presentation document for Partnership for Peace (PFP).

~~The U.S. established diplomatic relations with Lithuania on July 28, 1922, and reestablished ties on September 2, 1991. Lithuanian representation in the U.S. has continued for over 70 years. The U.S. never recognized the forcible incorporation of Lithuania into the USSR. Nearly one million Americans of Lithuanian descent play an active role in bilateral relations.~~

~~Lithuania enjoys MFN and GSP treatment. It also signed a Bilateral Trade and Intellectual Property Protection Agreement with the U.S. in April and will sign a Bilateral Investment Treaty this summer as well as a Science and Technology Cooperation agreement with the Secretary during the July visit.~~

~~Through 1993, the U.S. has committed over \$66 million to Lithuania's economic and political transformation and to address humanitarian needs; annual assistance under the SEED program totals over \$9 million. We are aiming to get the Baltic-American Enterprise Fund up and running within the next few months and are working to get better Eximbank and OPIC credit ratings for Lithuania.~~

~~Lithuania remains highly dependent upon Russia and the NIS for trade and energy. By developing Lithuania's port, hydroelectric and refinery capabilities, we and the Nordics are working to make Lithuania more energy independent and attractive to Western trade and investment. We are working to improve the safety of the Chernobyl-style nuclear reactor at Ignalina.~~

~~Sensationalized tales of public corruption and a dramatic increase in crime have become Lithuanians' priority concerns. We are reviewing the Government's request for FBI/police assistance, particularly on organized crime impacting the U.S.~~

~~Russia withdrew its troops from Lithuania on August 31, 1993, but military transit to and from the Kaliningrad enclave still needs to be resolved. Russia is withholding MFN status until Lithuania grants unrestricted transit rights. Lithuania has shown solidarity with its Baltic neighbors in their relations with Russia.~~

~~The United States remains firmly committed to supporting Lithuanian independence and its integration into a democratic Europe. Therefore, we currently are shaping an expanded military-to-military program designed to help place Lithuanian (and Baltic) defense institutions on a firm, democratic footing.~~

~~In 1993 Lithuania exported \$16.1 million in goods to the U.S. and imported \$56.8 million, primarily agricultural commodities~~

under concessional programs. U.S.- Lithuanian firms registered 235 of 3,674 foreign joint ventures, and of \$115 million in total foreign investment, the U.S. holds a \$35 million share. Philip Morris is a major investor.

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LATVIA: POLITICAL-ECONOMIC OVERVIEW

The Latvian Ambassador calls Latvia "a nation of lawyers" in mentality. Culturally, Latvians most reflect their Lutheran German heritage and emulate Swedes. Latvian is neither Slavic nor Germanic, but ~~is~~ a Baltic language related to Lithuanian. *The language*

Under Hanseatic and German influence since the 1200s, Latvia always has used its geographic location as an important commercial trading center. ~~A non-NIS capital, Riga nonetheless remains the financial capital for doing business in the FSU.~~ *longue*

After 200 years of continuous Russian rule, a bloody civil war erupted in 1918 when part of the independence movement sided with the Bolsheviks. By 1920, the Germans and Bolsheviks were defeated. ~~Prime Minister Karlis Ulmanis, uncle of the current President, headed the independence struggle and the first independent government. Before the Depression, Latvia's minorities enjoyed cultural autonomy, and the economy reformed and recovered.~~ *(STEP)*
As in the other Baltic States, the mid-1930's brought the rise of authoritarian rule to Latvia.

Soviet and Nazi invasions during World War II reduced Latvia's population by one-third by 1945. During that decade, about 60,000 were deported to Siberia, and thousands fled to the West. The Soviets radically urbanized Latvia by bringing in thousands of Slavic industrial workers. *colonized and*

In March 1990, democratic elections gave the Popular Front independence movement a majority in the Supreme Council. In January 1991, shortly after a parallel attempt in Lithuania, Soviet political and military forces tried to overthrow the Latvian government. Eight people were killed. Latvia regained its independence ~~during the aborted Soviet coup in August 1991.~~ *in the wake of*

Latvia's economic situation is steadily improving. The country enjoys a positive trade balance, relatively restrained inflation, and a very stable currency, ~~the lats~~. Latvia still imports 90% of its energy from the NIS. De facto agricultural privatization also has occurred. ~~Comprising 48% of the populace~~ *Ethnic Slavs* ~~and control an estimated 80% of the economy, making economic, not political reform a key issue to Latvia's future ethnic harmony.~~

Latvia signed a troop withdrawal agreement with Russia on April 30, paving the way for the departure of Russia's remaining 7,000 or so troops by August 31, 1994. The Russian navy already has departed, and the troops may be gone by as early as July 31. About 800 Russian technicians will remain to operate the Skrunda radar facility for another four years under ~~some type of~~ CSCE supervision.

With the withdrawal agreement, Latvia now needs to focus on privatization as well as citizenship and naturalization

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Latvian citizenship law ~~amendment~~

legislation. The ~~latter law, patterned after recommendations from the COE, recently passed its second reading in parliament.~~ The United States has defended Latvia's human rights record against Russian accusations. We remain engaged in the issue and have supported the presence of a resident CSCE mission to promote harmonious relations between ethnic Russians and Latvians.

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emerged from Parliament with unacceptably low quotas for citizenship by non-Latvians (i.e., Russians). The ~~has been remanded to~~ President Ulmans has remanded the law back to Parliament for a rewrite.

in direct contradiction to suggestions from CSCE and the Council of Europe for greater inclusivity

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Latvia held free and fair elections on June 5-6, 1993, giving the pro-reform "Latvia's Way" party a plurality of votes and placing them in an uneasy center-right coalition with the Farmer's Union. In nationwide municipal elections on May 30 uncontested by Latvia's Way, the right-wing parties triumphed. FM Andrejevs resigned in early June over accusations that he and four other members of Parliament cooperated with the KGB prior to Latvia's independence.

Relations with the United States and the West

A member of the UN, CSCE, NACC and COE, Latvia seeks GATT membership and associate membership status in the EU. Latvia actively pursues Western security relationships and enthusiastically supports Partnership for Peace (PFP).

The U.S. established diplomatic relations with Latvia on July 28, 1922, and reestablished ties on September 2, 1991. Latvian representation in the U.S. continued uninterrupted for over 70 years. The U.S. never recognized the forcible incorporation of Latvia into the USSR. About 85,000 Americans of Latvian descent play an active role in bilateral relations.

~~The Defense Minister is an American citizen, and a large number of other government officials are U.S. and Western expatriates.~~

Latvia enjoys MFN status and GSP privileges. ^{we will} It hopes to sign a Bilateral Trade and Intellectual Property Protection Agreement and a Bilateral Investment Treaty during your visit. ~~The Secretary will sign a Science and Technology Cooperation agreement with the Government of Latvia at the same time.~~

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Through 1993, the U.S. committed over \$90 million to Latvia's economic transformation and to address humanitarian needs; annual assistance under the SEED program totals over \$6 million.

Latvia remains highly dependent upon Russia and the NIS for trade and energy but also prospers from it through collecting revenue from a Russian energy pipeline. By developing Latvia's port, hydroelectric and refinery capabilities, we and the Nordics are working to make Latvia more energy independent and attractive to Western trade and investment.

We are aiming to get the Baltic-American Enterprise Fund up and running within the next few months and are working to get better Eximbank and OPIC credit ratings for Latvia.

The United States remains firmly committed to supporting Latvian independence and its integration into a democratic Europe. Therefore, we currently are shaping an expanded military-to-military program designed to help place Latvian (and Baltic) defense institutions on a firm, democratic footing.

In 1993, Latvia exported to the U.S. \$22.6 million and imported \$89.5 million, the latter being chiefly agricultural commodities under concessional programs. American firms registered \$35 million out of a total \$110 million in foreign investment. The U.S. is the largest Western investor in Latvia and by far, Kellogg's is our biggest investor.

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BALTIC-AMERICAN ENTERPRISE FUND

During your visit to Riga, you will announce the establishment of the
~~At a meeting with Lithuanian Prime Minister Slezevicius on June 22, 1993, Secretary Christopher announced the Administration's intention to establish a Baltic-American Enterprise Fund (BAEF).~~
The Fund will be capitalized with \$50 million in foreign assistance appropriations over a 3-4 year period. The purpose of the Fund is to promote private-sector development in Lithuania, Latvia and Estonia.

The Fund will have the authority to make equity investments and loans and, as appropriate, offer technical assistance to promote new private initiatives, entrepreneurs and privatization, with special emphasis on the promotion of small and medium-sized enterprises. In particular, the Fund may support joint ventures involving U.S. and other foreign investors with Baltic country partners.

The Fund will be similar to the existing enterprise funds in Poland, Hungary, the Czech Republic, the Slovak Republic, and Bulgaria. Our experience in these countries has shown that enterprise funds can play an important role in providing financing for the private sector, as well as leading the way for other investors. As with all the enterprise funds, the Baltic Fund will be managed by a private sector board of directors selected with the concurrence of the White House.

The Fund will be expected to maintain a meaningful presence both in terms of representation and its investment portfolio in all three Baltic States. The Fund will be encouraged to use its U.S. capitalization to attract other resources for private sector development in the Baltic States.

The Fund's Board will be chaired by Rozanne Ridgway, former Assistant Secretary of State for Europe and Ambassador to East Germany and Finland.

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THE FIGHT AGAINST ORGANIZED CRIME

Over the past two years, Italy effectively stepped up its campaign against crime organizations -- Mafia (Cosa Nostra) in Sicily, the Camorra in Naples, and the 'Ndragheta in Calabria, Italy's boot-heel. Displaying considerable political will in the face of Mafia intimidation, the government beefed up paramilitary forces in Sicily, sent army units to Sicily and Sardinia, and increased resources for police and prosecutors. Massive public revulsion following Mafia murders of police, prosecutors, and judges assisted these efforts. The FBI assisted in the investigation.

Italian authorities have arrested scores of Mafiosi, including the reputed bosses of the two largest families. A number of magistrates accused of having organized crime ties are also under investigation or arrest; hundreds of politicians tainted by such association have been drummed from office. Italy also strengthened anti-organized crime laws, established a witness protection program, and developed more realistic evidentiary rules and undercover operations. The new government could resurvey the criminal justice landscape in response to calls that some 1989 revisions to the criminal code have not functioned as expected. Experts worry, however, that changing the law on witness protection could weaken efforts to recruit such witnesses, now numbering over 700.

Despite Italy's successes, some experts estimate that criminal activity (including penetration of legitimate businesses) generates \$50 billion turnover annually. U.S. and Italian law enforcement cooperation has been directed at financial flows, especially money laundering.

Our bilateral law enforcement cooperation with Italy is one of the strongest with any country. Significant U.S. investigative and prosecutorial resources in Italy are dedicated to organized crime and drug matters, and cooperation with Italian law enforcement is excellent and mutually productive. In a late 1993 visit to Italy, FBI Director Freeh reaffirmed our commitment to assist Italian anti-organized crime efforts. We seek to expand anti-narcotics and anti-terrorism cooperation, bilaterally, through U.S.-EU exchanges, and in the G-7. Italy hosts a ministerial conference on organized crime this October in Naples; we plan strong U.S. participation.

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