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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Luncheon with Prime Minister Carlo Ciampi
of Italy (U)

PARTICIPANTS: The President
The Vice President
Warren Christopher, Secretary of State
Lloyd Bentsen, Secretary of the Treasury
Michael Kantor, U.S. Trade Representative
Anthony Lake, Assistant to the President for
National Security Affairs
Stephen Oxman, Assistant Secretary of State
for European and Canadian Affairs
Reginald Bartholomew, Ambassador-designate
to Italy
Jenonne Walker, NSC (Notetaker)
Sim Smiley, Interpreter

Prime Minister Carlo Ciampi
Antonio Maccanico, Vice Minister, Secretary
of the Cabinet
Boris Biancheri, Ambassador to the U.S.
Ferdinando Salleo, Director General for
Political Affairs, Ministry of Foreign
Affairs
Sergio Vento, Diplomatic Adviser to the
President of the Council of Ministers
Francesco Alfonso, Head of the Office of the
President of the Council of Ministers
Paolo Peluffo, Head of the Press Office of
the President of the Council of Ministers
Silvio Fagiolo, Deputy Chief of Mission,
Embassy of Italy
Leonardo Viscounti de Modrone, Advisor for
for Protocol Affairs
Isabella Randone, Interpreter

DATE, TIME September 17, 1993, 12:20 - 1:25 p.m.
AND PLACE: Old Family Dining Room

(Following introductory pleasantries, e.g. about earlier uses of the dining room, mystery novels by Margaret Truman and Elliot Roosevelt, and anecdotes from the Israeli-PLO signing ceremony the preceding Monday.) (U)

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2015-0755-M (1.02)

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Prime Minister Ciampi: Monday's ceremony was an emotional event in Italy. I think it was the first time in history that all television channels carried the same program live. (U)

The President: It was an extraordinary day for us, too. Later that afternoon I had a meeting with leaders of the American Jewish and Arab communities, and they were all very emotional, even hugging each other. We challenged them to go to the Gaza and develop joint projects for its development. (S)

We cannot have ultimate peace until Israel sees the process through, including with Syria and Lebanon. But it will be hard for Rabin to deal with Syria until the people of Israel are comfortable with his agreement with the PLO. So we must work hard to make the agreement popular with the people of Israel. That means trying to figure out how to keep lots of balls in the air at the same time; that won't be easy. (S)

Part of Rabin's sober demeanor on Monday was genuine, but part was because he did not want the Israeli public to see him as too happy about this agreement. (S)

Prime Minister Ciampi: This agreement is only the beginning. Italy will do its best, working bilaterally and with the EC, to influence the Arabs. We need tight coordination of our efforts in this delicate situation to avoid duplicating each other's efforts. (S)

The President: That is very important. We need the energy of all our European allies that have good relations with Syria, to encourage it to give us a little time and support the agreement. (S)

Mr. Salles: We are thinking of meeting soon with the Syrians. We will see if we can use traditional channels to be helpful. At the same time, if there is any way we can help with Gulf States or other Mediterranean states, we will be very interested in doing so, through the EC or bilaterally. (S)

Secretary Christopher: As soon as possible, we need some kind of donors conference. Our present thinking is that the Multilateral Group which already is under formation might be a good vehicle. I believe the EC has two or three members on the Steering Group. I hope that the meeting of Foreign and Finance Ministers planned during the UNGA can discuss this. We also need a substantive structure, so potential donors will know that they will be giving to something efficient and their money will not be wasted. (S)

Secretary Bentsen: I agree, and the World Bank's recent work on infrastructure can be very helpful. I also agree that we need to avoid duplication. Having some money early may be more important than having large amounts. Another problem is that the Palestinians are not a state, so we need a trust fund. (S)

The President: If Italy is going to be seeing Syria, any encouragement you can give them to exercise restraint over both

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violence and rhetoric would be very helpful so we can try to get this going. Arafat has told me twice that he does not want this to be exclusive between Israel and the PLO and forget the Syrian-Israeli problem. We and Israel have assured him we want to go forward, but Israel needs a breathing space. I understand the pressure on Syria, but there are degrees in which they can express their displeasure. (Ø)

Mr. Salleo: We had a strong message from Qadhafi. He wants sanctions at least not to be hardened and suggests that he might oppose the agreement if they are. That sounds like bluff, but. . . Monday morning we will encourage Iran not to oppose the agreement. (Ø)

The Vice President: They already have. (Ø)

Mr. Salleo: Yes, but there are different ways of creating trouble. (Ø)

Prime Minister Ciampi: It is amazing what can happen after so many years. For the United States, this is a moment of great success and prestige, and hope for peace in the world in areas where it always was considered impossible. (Ø)

Secretary Christopher: Can we talk about the GATT negotiations? I am very concerned about the French desire to reopen the Blair House Accords. That could make agreement impossible by December 15. Do you see any way to avoid that? (Ø)

Prime Minister Ciampi: I believe that the EC's Jumbo Council next Monday may add some further interpretation. There are problems about agriculture, but I do not want to reopen the Blair House Agreement. In the EC there always is the possibility of a veto, but Italy has made it clear that this is not its position. (Ø)

Mr. Kantor: Thank you. That is tremendously helpful. There was great momentum in Tokyo, and we don't want to lose that. I understand how difficult agriculture is for the EC. I hope the Community's negotiators would be given flexibility to deal with this without reopening the Blair House Agreement. Yesterday, the Cairns Group indicated that if Blair House is re-opened, they would pull out of the Uruguay Round. That would be a disaster. If the Italian Government can help at the EC meeting on the 20th, we stand ready to address MTA and textiles. Some progress was made on September 11 on the questions we all had on textiles. So we welcome your position and hope you will use as much influence as you can. Sir Leon Brittan and I are in agreement that if we can continue the positive momentum, we can resolve other issues. (Ø)

Prime Minister Ciampi: We must not have a failure because of the widespread negative results on trade and on old relationships between the United States and Europe. That is why I want positive results before December 15. We understand the French

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position but are not going to take a position that implies agreement with it. (S)

Secretary Bentsen: U.S. farmers feel very strongly that they got the wrong end of the bargain at Blair House. French farmers feel the same way. If Blair House is reopened, American farmers will want more. We need to reduce subsidies. Twenty-one percent was a hard-fought issue. When you talk about reinterpreting agreements, if you mean altering agreements on subsidies, we would have a big problem. (S)

Prime Minister Ciampi: I understand and agree. (S)

The President: One of the most important things we can do for each other is to promote growth. To do it before the end of the year would be a nice Christmas present. (S)

Prime Minister Ciampi: Another sensitive US-European issue is 301. I wonder if the US can reconsider this. I am afraid that sooner or later in Europe there will be a movement toward creating something similar. (S)

Mr. Kantor: 301 only has been used nine times ever. The threat is a reality, and I know it has been a matter of concern to Europeans. There is sentiment in our Congress for an even stronger measure. We have to deal with that all the time. (S)

To the degree that there is success in the Uruguay Round and we can go on to issues like competitiveness, the environment, to the extent that we can satisfy Congress that we are creating jobs in America and global growth, there will be less Congressional pressure to use 301 or even create a stronger measure. We have our own concerns about communications and broadcast laws. It is a matter of building confidence in each other, ensuring understanding of each other's interests, willingness to be flexible. During the last few months, we have been able to do that in a fairly constructive way. (S)

There is some 301-like mechanism in the Uruguay Round text now. So an agreement would be somewhat helpful in this area. (S)

Ambassador Biancheri: In our relations, economics are becoming more and more important. We need some way of settling trade disputes between two close partners, between whom major conflicts are unlikely. Once the Uruguay Round is concluded, some agreed way of settling disputes would be positive. (S)

The President: This is a big issue with the EC, too. (S)

Ambassador Biancheri: It is very important to have a special economic relationship as well as the special security relationship we have had. (S)

The President: Do you have alternative suggestions for how this thing can be resolved? (S)

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Ambassador Biancheri: Preventing disputes from emerging is a very effective way of showing special partnership. The Prime Minister mentioned 301. It incites the West Europeans to do something similar. We can find a way of settling disputes between two partners whose disputes are likely to be minor, perhaps on a temporary basis. (X)

Mr. Kantor: What you indicate is appropriate for discussion. We have a Free Trade Agreement with Canada. Even so, there are disputes, and we use a dispute settlement mechanism, and it works moderately well. In the Uruguay Round draft there is a dispute settlement mechanism better than the current one under GATT. So if we succeed in the Uruguay Round, it will be positive for this problem. That does not mean we should not look at something else between close allies, to have an early warning mechanism. The enormous trade between us means there always will be disputes. But I think we can find a mechanism to handle them. (X)

Mr. Salleo: And to give the Atlantic partnership an economic dimension. That could be one of the subjects of the Trans-Atlantic Summit in early January. (X)

The President: I think we should explore this because the better off countries can only grow by expanding trade. The problem for the U.S. and Western Europe is creating jobs, and that stems from our inability to create global growth. That can only come from agreement by the wealthy countries. China can grow 14% a year, but it doesn't help growth elsewhere. (X)

Secretary Christopher: Let me talk for a moment about Russia in connection with NATO enlargement. It will be important to make Russia relatively comfortable. The way to do that is to talk to them early, and enable them to be part of the process. That does not mean they should join now, but we should establish criteria that they could hope to meet. (X)

Prime Minister Ciampi: We must look at enlargement in a positive way. For Russia there is the G-7. At Tokyo we decided to use the same formula at Naples. Perhaps we can continue evolution on this point. I agree completely we would have to offset the danger of enlargement. We must not make relations with Russia more difficult. (X)

Secretary Christopher: I agree that the G-7 is the right analogy. If Russia seems in the second from the last position, they will object. But it is not holy writ that the G-7 must always be only seven. (X)

Prime Minister Ciampi: It is a question of time. The question is the right moment. Italy will become President of the G-7 in January. I do not know if the time is ripe for Russian membership. I hope that after the NATO Summit in January it will be a good time to broach in a very delicate way this problem. Italy is not against enlargement. The problem is to ensure Russian confidence. The Polish elections this weekend will be a factor. (X)

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The Vice President: When President Chernomyrdin was here we entered into a new space relationship that affects Italy. I want to express appreciation for Italy's positive reaction. In the next phase of developing our relationship with Russia we will remain keenly sensitive to Italian interests. (C)

Mr. Lake: On NATO enlargement. It is important that the countries of Central and Eastern Europe not only see hope in the long run, but also practical short-run payoff. So we are looking for immediate measures to improve NACC. (C)

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