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THE WHITE HOUSE
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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with Helmut Kohl, Chancellor of the
Federal Republic of Germany, on July 2, 1993

PARTICIPANTS: The President
Helmut Kohl, Chancellor of the Federal
Republic of Germany
Interpreter: Erica Konuk
Notetaker: Helen Walsh

DATE, TIME July 2, 1993, 2:10 p.m. - 2:31 p.m.
AND PLACE: The Oval Office

The President telephoned Chancellor Kohl concerning the upcoming
G-7 Summit in Tokyo. (U)

The President: Helmut, how are you? (U)

Chancellor Kohl: Fine, how are you? (U)

The President: I'm doing well. It's nice to hear your voice. I
am looking forward to seeing you. (U)

Chancellor Kohl: Well, I'm looking forward to that meeting with
you next week. I just want to tell you that I just visited my
old school yesterday, where I started school 57 years ago when I
was 6 years old. The schoolchildren and parents were there.
Now, there are children there from nine different countries. I
told them that tonight I was having a call from our friend
President Clinton, and told them I would forward their regards to
you. These 400 children were very enthusiastic. So I have done
my duty. (U)

The President: Thank you. I wish we could go to see them
together some day. (U)

Chancellor Kohl: You have to come to visit me at home in
Germany. I'd like that. (U)

The President: Would love that. Before we start to talk about
the G-7, I want to thank you so much for the resolution you put
forward to the EC on Bosnia. So many Muslims are looking to us.
It was important even though our position did not prevail. Lets
talk about the G-7 meeting. (C)

Chancellor Kohl: Tokyo. (U)

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The President: Yes, Tokyo. Here people are already saying that because of the political problems in Japan and other problems that this will just be another photo-op. But I am convinced that we can have a good message. We have great resources and talented people and lots of will to change and grow this economy. (U)

Chancellor Kohl: Well, I think it is important and decisive that we don't go there in spirit of pessimism, but issue a positive message. (U)

The President: I couldn't agree more. I hope that together you and I can keep it upbeat. I'm going to do public appearances around Japan saying that these political changes can be good for the Japanese and for the rest of the world. We're continuing to make progress on reducing our deficit. I notice that the Bundesbank reduced their interest rate by another 1/2 point and our interest rates have come down too. Both of those things are good news we can build on perhaps. (U)

Chancellor Kohl: The night before last -- and it was this that the Bundesbank reacted to -- the Federal German Parliament reduced its budget deficit by 22 billion DM. (U)

The President: That's very good. Let me ask you about two issues coming up. I'm very concerned that we are going to lose an important opportunity to put the Uruguay Round back on track. I remember what you told our press about G-7 credibility because every time we meet we say we're going to do something and we never do. I'm told that our negotiators in Toronto are close to the needed breakthrough on market access for manufactured goods. Obviously this would be something very important if we could announce an agreement at Tokyo. The U.S. has been flexible in accommodating EC interests, including textiles. I was wondering if you could talk to President Delors and Commissioner Brittan about reaching an agreement before the Summit. It seems to me that... I know that President Mitterrand and Prime Minister Balladur are saying they don't want to make any agreement unless we reopen the Blair House agreement. But I think the EC does not hold that position, and we can assure the French that the manufacturing agreement would not take effect unless there is a whole GATT agreement. What do you think about that Helmut? (U)

Chancellor Kohl: At this point, at this hour, no one can tell what we can achieve in Tokyo. But on the other hand, GATT is not an agenda item. But we are going to have a chance because we will be sitting together. We will have meetings, have breaks and can talk to our people to try to get some movement in this matter. The French are themselves saying that they want a global approach. That means that if we talk agriculture, we have to talk about the others. I believe we should discuss and seek movement, and not start by saying nothing is moving. Everyone will expect that. (U)

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The President: I don't think we should say that either. Are you saying that there is no chance of an agreement in Toronto before the Summit? (S)

Chancellor Kohl: No, not what I intended. That is a misunderstanding. No, we should try. We should definitely try. But also there take a chance to discuss together, to forge the iron while it is hot, as we say in Germany. The more we can do beforehand, the better. (S)

The President: If somehow you could convey that to the European negotiators, I think that would be a good thing. (S)

Chancellor Kohl: I will do that. (U)

The President: I want to ask you about another issue. We've been trying to get support for the privatization program for Russia. We think its imperative for Yeltsin's sake that we announce this in Tokyo. Yeltsin is very sensitive about the fact that two years ago Gorbachev went to the Summit and came back without anything, and it hurt him at home when he did so. We have reduced the size of this privatization fund to \$500 million and we have secured agreement from the Russians that our people will be able to work in a way that the money is properly spent on privatization. At the present time, Japan and the U.S. have contributed about \$245 million of the \$500 million goal, and with all the other countries contributions are still \$80-90 million short of reaching the goal. (S)

Chancellor Kohl: Well, I think we do not need to discuss this any further. I told my sherpa that we are going to contribute. But I also told him that he should urge the other Europeans mercilessly that they should contribute. But let me make this clear, we will help. (S)

The President: Let me say that after I talk with you I will call Delors, and I think I can get them to increase their contribution. (S)

Chancellor Kohl: I believe we will reach this goal. Unfortunately, it is a little like bargaining for a carpet in Marrakesh. (S)

The President: I feel sort of like a carpet seller today. I will call him. If you can call too, then we will reach our goal. I think it is important that we .. (U)

Chancellor Kohl: We will reach that. It simply has to work. (U)

The President: What about you? How are you? (U)

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Chancellor Kohl: I've had a good week. First, the budget reductions and now Bundesbank interest cut. Everything is taking a positive turn. The problem is that we lived beyond our means and now have to reduce spending. It doesn't really hurt. The old Federal Republic of Germany is doing better than ever, we're making slow progress in the new states, and the business cycle is picking up. What we need is patience and that's just what the people don't have. The problem today is that democracy grew in an era where the media situation is difficult and the media is pushing policies and politics. (U)

The President: Agree. I'm glad you're doing well. We've had a good two weeks, too. I look forward to seeing you in Tokyo. (U)

Chancellor Kohl: Goodbye.

-- End of Conversation --

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