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THE WHITE HOUSE

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MEMORANDUM OF CONVERSATION

SUBJECT: U.S.-EU Summit

PARTICIPANTS: The President  
Warren Christopher, Secretary of State  
Ambassador Mickey Kantor, United States  
Trade Representative  
Anthony Lake, Assistant to the President  
for National Security Affairs  
Nancy Soderberg, Deputy Assistant to the  
President for National Security Affairs  
Ambassador Jeffrey Lang, Deputy United  
State Trade Representatiave  
Joan Spero, Under Secretary of State  
Daniel Tarullo, Assistant Secretary of State  
Ambassador Stuart Eizenstat, U.S. Ambassador  
to the EU  
Ambassador Richard N. Gardner, U.S.  
Ambassador to Spain  
John Kornblum, Principal Deputy Assistant  
Secretary of State

President Felipe Gonzalez  
Javier Solana, Foreign Minister  
Ambassador Carlos Westendorp, State  
Secretary for European Affairs  
Francisco Villar, Secretay General for  
Foreign Affairs  
Ambassador Jaime de Ojeda, Ambassador  
to the United States  
Javier Conde, Secretary General for the  
European Communities

President Jacques Santer  
Sir Leon Brittan, EU Commission Vice  
President  
Jurgen Trunpf, EU Council of Ministers  
Secretary General  
Horst Krentzler, Director General, DG-I  
Colin Budd, Cabinet of President Santer  
Ambassador Hugo Paeman, EU Ambassador to  
the United States

DATE, TIME AND PLACE:  
December 3, 1995, 9:45 - 11:30 local time  
Madrid, Spain

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President Gonzalez: Welcome. I want to underscore the importance of the New Transatlantic Initiative. Jointly, we must face challenges of a new international reality. The 1990 Transatlantic Declaration was a beginning, but with the end of the Cold War, globalization and changes in the European Community, we need to make a qualitative leap to deal with new challenges.

Just six months ago, we began this initiative. Today we take a great step. I want to thank all of the members of the group who worked on this initiative and commend their spirit. Their efforts will culminate in an expression of a new will, a rapprochement to work together on a series of difficult issues, the most immediate of which are Bosnia and the Middle East.

President Santer: This is the most important step in our relationship since 1990. It is a quantum leap forward. It reflects our cooperation on economics, security and trade issues -- and on issues like crime, AIDS and drugs which have a real impact on people. We will make a difference by acting jointly, not just consulting.

This will help us focus our efforts and set our priorities. In the area of humanitarian assistance, where we face strict budget constraints, we need to make our efforts more effective and complementary.

We have a joint responsibility to make sure the WTO works well and to make sure the Singapore Ministerial is a success by spurring trade liberalization. Russia and China should enter the WTO as soon as possible. The Transatlantic Business Dialogue in Seville shows that our business communities have much they agree upon and that we can act on their recommendations. Finally, the education and information technology components of this initiative are vital to our people.

Today's actions will address what some critics have seen as a drift in the transatlantic relationship by deepening and revitalizing that relationship. It shows the world that the relationship is strong enough to carry us through our disputes.

The President: I want to thank Presidents Gonzalez and Santer for the remarkably pace with which they've worked to make this initiative a success over the past six months. This represents a move from consultation to joint action. It's very important that this have an impact on the lives of ordinary people by taking steps on disease, crime, humanitarian assistance and tariff cuts.

I understand you'll be voting on the compensation package for the EU's enlargement this week. I hope you'll approve it. That would show that we're working well together.

The Bosnian peace agreement has its military and non-military components. If we can work well together on this, we can do a lot of other things. The pledging conference in Brussels later this month is an important step. We look to Europe to lead.

The bottom line is that I frankly did not expect a document this visionary, detailed and specific. This is the beginning of something more important than most people will see today when we sign it.

President Gonzalez: On Bosnia, we are grateful for the U.S. effort in Dayton. It is the beginning of a peace process, but there is no guarantee that it will work. To be a success, U.S. troops must be on the ground. This will have two effects. First, it will provide cohesion to an international alliance in favor of peace. Second, it will have a psychological effect by installing confidence in NATO's role.

Creating peace in Bosnia is not going to be easy, as President Clinton has said many times before. There is great hatred among the communities there. Sarajevo is a divided, lacerated city. Our work there will have to be a labor of patience.

We need to work hard on reconstruction. The level of destruction is so high, it may take many years, but I'm hopeful. There will be special problems. The Serbian community in Sarajevo is in a difficult position. It is difficult in Eastern Slavonia too. We need to use maximum influence to show there can be no deviation from the peace plan.

President Santer: Congratulations on the breakthrough in Dayton, which is a crucial step toward peace. It is a result of your leadership and our close cooperation. The EU is giving and will continue to give about \$2 billion in humanitarian aid, including aid to refugees. We are planning to earmark more. We expect the major donors to follow-through at the pledging conference to be held as early as December. Fair burden sharing is important.

We need to be imaginative in our approach on trade, and that may require your political leadership. We want to lay the groundwork for good relations among former enemies, and we need to work harder with third country donors like the OIC.

President Gonzalez: Any comments?

The President: That sounds good to me. I have two observations. I hope the EU at the outset will not set a strict ceiling of one third on its total contribution because I don't know how much will be needed and when. It's highly unlikely that the U.S. will be able to make more than a 20% contribution over the next couple of years. Maybe things will change after a couple of years. Maybe things will change after elections next November. We've met with our Congressional leadership on the costs of IFOR. That went down pretty well, but I'm not too optimistic about additional requests.

I have a question, which is not intended to be critical, but just a question: Have you thought through the structure of how best to use the aid, to monitor it to make sure what needs to be done is being done?

President Gonzalez: I have a few comments. With regard to the contribution, we have a desire that there be a balanced contribution. I'm not sure whether it must be balanced at the start or at the ending point, but we do want it to be balanced. As time goes on the demands for further assistance will be overwhelming due to the savage destruction of the country.

We want a balance not just with the U.S. but also with Islamic and Arab countries. They have criticized the West, but now it's time for them to show some solidarity. It's hard to draw the line as to where there are direct interests involved, but I think Japan also should contribute. The whole world is interested in this conflict.

I am aware of the problems President Clinton faces now. I hope he won't have any problems in November next year and that he will still be here.

President Santer: There are several stages to the reconstruction effort. First, there is humanitarian assistance. As I said, the EU will continue to contribute \$2 billion there. And there will be the return of the refugees. There will also be the need for technical assistance on institutional reform. We will benefit greatly from the World Bank's experience on financial issues.

We in the EU have some experience with reconstruction in Central and Eastern Europe, and as in the case there, we need to ensure market access for products from the region.

We need to forge normal relations among parts of the former Yugoslavia. The first step in the implementation of the Dayton plan is elections. Here, the OSCE will have an important role to play.

Secretary Christopher: Remembering the experience we have had in Gaza and Jericho, we need to make money available as quickly as possible. The procedures of the international institutions are bureaucratic and not particularly conducive to quick action. Like Gaza and Jericho, we need to show quickly that peace makes a difference in peoples' lives. We cannot be complacent or rely too much on the IFI's. The London conference will be critical in that regard. We have been planning the IFOR effort for more than a year. We need a similar effort on reconstruction.

President Gonzalez: I agree. We have some experience with our Blue Helmets, who have been doing extraordinary things: setting up schools, establishing electricity. We need good coordination for EU assistance efforts based on our experience.

Now let's turn to Russia and Central and Eastern Europe. We signed an association agreement with Russia in July, and we had a good meeting on September 7 with Yeltsin and Chernomyrdin on the reform process and the transformation of Russia. We should actively coordinate our efforts on Russia and Central and Eastern Europe since we agree on the aims. The stability of Central and Eastern Europe depends on accession to the EU and NATO. With Russia, the economic relationship will progress, but how should we build a European security architecture? They cannot have a veto over NATO expansion. We have no interest in creating a new division in Europe. We need to show them confidence.

On December 16 we will have a meeting between the EU member states and 12 countries, including Cyprus, Malta and the Baltics. We will examine our future agenda and talk about a calendar for European security matters and EU accession.

Russia is a touchy subject, but provides us with a unique opportunity. We need a Europe united politically. We have shared goals, and we need to take on board issues regarding Russia and other countries.

President Santer: We are seeing our trade relations with Russia improving. The EU is Russia's largest trading partner, and trade is increasing 15% per year.

With regard to Central and Eastern Europe, we are improving our assistance efforts as part of a pre-accession strategy. Economic conditions in these countries are improving.

To enlarge the EU, we need to reform its institutions. Right now, it is operating with 15 members through institutions designed for 6. We need to put our own house in order through the Intergovernmental Conference in 1996. After that, we can

turn to enlargement. In the meantime, we are developing a pre-accession strategy at the political and economic level.

We will be providing \$10 billion in assistance to Central and Eastern Europe and \$7 billion to the Mediterranean between now and 1999. We have minister-level and expert-level meetings with these countries on accession-related issues.

It is important to remember that the 12 Central and East European countries and other candidates for membership together have the GDP of the Netherlands. They have a long way to go before they will be ready to be members of the EU, but in the meantime we need to strengthen relations. We will start negotiations following the IGC with case-by-case transition periods. They differ in size and the nature of their problems. It is a huge challenge we face. The Commission has issued studies on the impact of enlargement on various policies, such as the CAP, and we will continue to do so.

The President: We should be encouraged that relations with Russia have been positive, on balance. Developments in Central and Eastern Europe are encouraging for democracy and economic reform.

On the security front, we have in place the Partnership for Peace which will help manage the tensions arising from NATO expansion. Bosnia provides us with a great opportunity to demonstrate the harmony of our security interests with Russia and to demonstrate that we are not trying to contain Russia by unifying Europe.

As for EU enlargement, that is of course your business, but uniting the continent economically and in terms of security is our common agenda. Your IGC will set the stage. I have no particular views on who should be admitted when, but it is important to signal these economies that they will be joining the EU. They have a small GDP, but they have large potential growth and some examples of progress toward accession could be a positive incentive for reform. I encourage you to make the most of the IGC in this regard.

Political and economic integration in the EU could help take the sting out of the view that we're creating a unified Europe through NATO.

President Gonzalez: I'd be interested in your views about the status of the Middle East peace effort in the aftermath of Rabin's tragic assassination. Our recent conference in Barcelona was contaminated by Israel-Syria tensions. I am under the impression that Syria wants to be invited by the U.S. to the negotiation table.

The President: Peres is coming to see me in the next few days, so I'll have more personal knowledge then. A lot of work has been done since Rabin's death. I had some short meetings when I was in Israel for the funeral. I'll ask my Secretary of State to provide an update on this.

Secretary Christopher: It was interesting that Syria viewed Rabin's assassination as a moment to accelerate the peace process. We're trying to capitalize on this. Peres has shown a strong desire to pursue the Syria track. After January 1, I hope that this track will be reinvigorated.

We have seen no signal that Syria wants to have direct dealings with Israel, but they might soon at the Foreign Minister level. Maybe Peres' style will help move the process along, but he is still constrained by the same dynamics in the Keneset and in Israeli politics.

I am looking forward to the first quarter of 1996 as a possible time for progress. Peres is committed to following-up and moving ahead on the West Bank.

The President: We are working very, very hard on this issue. We're doing all that we can. If any of the EU member states have even remotely positive relations with Syria, they should encourage the Syrians to seize the moment. The style of negotiating cannot be haggling -- this should not be a Jesuitical exam. There is nothing wrong with discussing details -- Rabin and Arafat signed 26 maps with thousands of decisions -- but the Syrians need to be receptive. Peace involves taking chances. Your members could help in shaping Syria's attitude.

We need to make this agreement successful. We're trying to encourage investment by the Arab-American and Jewish-American business community. It's important to continue our support, particular as Arafat faces elections. The security situation complicates the economic situation, but if the EU could take steps to open markets to Palestinian goods before the election it would be helpful.

President Gonzalez: I want to clarify that I did not mean to suggest that Syria was ready to talk directly to Israel. The process is still in the United States' hands. I spent about four hours with Assad, who explained the entire history of the conflict from the time of the Canaanites to the present. I had the impression that Assad wants to be forced by the U.S. to the table.

For our part, we will send 300 people to monitor the elections. We have provided \$450 million in aid to date. We are cooperating to encourage investment and actively supporting U.S. efforts. I will ask President Santer for his views and then ask Minister Solana for a readout of the EU's Mediterranean Conference.

President Santer: I agree with the President that we need to actively support the Palestinians. The Commission is supporting the election-monitoring effort. On December 9, there will be the Paris Conference on aid to the Palestinians, where we will work on a joint action plan. The EU has provided 15 million ECUs in development assistance and will provide 52 million ECUs, part of which will go to support administrative costs and the budget deficit. We need to shift to more economical assistance. We're trying to negotiate an economic association agreement with the Palestinians. We have a strong commitment to the reconstruction of Gaza.

Foreign Minister Solana: The Euro-Mediterranean Conference brought the Mediterranean countries together with the 15 EU members -- representing a total of 500 million people. The political objective was to support regional stability vis-à-vis Europe. We discussed a code of conduct in the relationships among these countries, and identified human rights and the values of democracy as key. From the political standpoint, it was very important. It also dealt with economic and financial cooperation. Between now and 2000, we will provide \$6.5 billion in aid and \$6.5 billion in loans.

Our objective is build a free trade zone among Europe-Mediterranean countries. We also want to engage in a social and religious dialogue. We need to make an effort to go beyond confrontation among civilizations.

The Barcelona Conference was the beginning of a new chapter. We didn't solve our problems, but set up a process for dealing with them.

With regard to the Middle East, I would just add that at the conference Peres played a very positive role.

President Gonzalez: We all agree on the importance of the customs union with Turkey. In the past months we have done our utmost to assure a favorable vote. On December 13, the European Parliament will vote on the customs union. This is a long time in coming. I have asked Ciller not to make any comment that might upset the apple cart. This would go into effect January 1 and clear the air before elections there.

Right now, Turkish opinion is favorable toward the EU. Our relations with Turkey can help with Iran and other issues.

President Santer: I would just add that I too hope for a positive vote by the European parliament, which we hope would further the normalization of relations with Turkey, lessen tensions with Greece and help solve the Cyprus issue.

The President: If the vote goes through, it will improve the prospects for resolving the Cyprus dispute, which we have been working hard on. It gives us a chance to have a new relationship with the Muslim world, particularly if we have a good outcome in Bosnia. It is immensely important -- beyond the particular issue at hand.

President Gonzalez: I want to raise one issue on which we do not totally agree: Iran. The EU has called for a critical dialogue. We have a large economic relationship with Iran. The U.S. is concerned about this relationship. Perhaps we can work out compatible positions even if they are not the same.

The President: As you know, we stiffened our policy recently and did something I almost never do -- take unilateral action -- because dialogue seems to have no effect. Rabin said Iran is the real problem in the region. Iran continues to support terrorism while taking all the benefits of economic dialogue.

I took unilateral action even though I knew our allies did not support it and that it would therefore have only limited effect. At a minimum, I think there should be no new government credits or major investment until there is evidence that dialogue is not strengthening their ability to wreck havoc around the world. There is absolutely no evidence that reasonable treatment of Iran produces results.

Sir Leon Brittan: We share a common perception of the danger Iran poses, but disagree only in our perception of what is most likely to produce change. It would be extremely unfortunate if our differences on this issue fuel disagreement between us given all that we are accomplishing here today. I am concerned about the D'Amato legislation and hope that the Administration will oppose it and its secondary boycott, rather than reach a compromise. This could be a source of major conflict and discontent.

Mr. Lake: The Administration opposes the legislation and is working to amend it, but it has strong support in the Congress. Regardless of our position on the legislation, we still oppose awarding Iran with economic benefits.

The President: You need to decide if Iran is qualitatively different from other countries with which we have differences and which may even resort to force every once-in-a-while. I don't like the D'Amato bill and share your reservations, but you have to come to grips with whether there is a strategy that will get results. Leon, I know you've had a terrible terrorism burden in your country with the IRA. Iran has taken the genie out of the national bottle when it comes to terrorism. It can pop up anywhere. I don't support D'Amato, but you need to decide whether Iran is qualitatively different.

We need to have a stronger dialogue on Iran. It's always tagged on the bottom of the agenda as item number 10. We shouldn't let it cloud the rest of the agenda and what we have achieved here today, but we are kidding ourselves if you think we can leave this as item number 10 on the agenda. Even if you're right in your approach, we need to have a more intensive effort.

President Gonzalez: I agree that we can't allow any disagreement to cloud our overall good relationship. We need a dialogue on this. Terrorism will be an increasingly important issue on the agenda. Dealing with disagreements strengthens our relationship.

The President: Just a brief word in closing. I am extremely pleased with the U.S.-EU relationship and with the leadership of Presidents Santer and Gonzalez. But six months from now, people will look back to judge whether we have done anything. That's a more uncomfortable position to be in. We need to work hard to make sure we accomplish what we set out to do today.

-- End of Conversation --