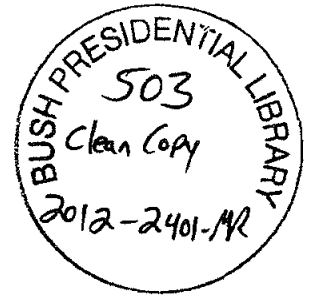


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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister John Major

PARTICIPANTS: The President
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for
National Security Affairs
Robert M. Gates, Assistant to the President and
Deputy for National Security Affairs
Henry E. Cato, U.S. Ambassador to the Soviet Union
Marlin Fitzwater

Prime Minister Major
Robin Butler
Charles Powell
Ambassador Antony Acland

DATE, TIME AND PLACE: December 21, 1990, 5:00 p.m. - 6:15 p.m.
Camp David

The President: Let me just touch on PAN AM 103 as this is the second anniversary. We need to make clear that this crime has not been forgotten. We might mention it at the press session tomorrow. At first we thought Syria was responsible, now according to our intelligence, while the Syrians wanted to attack an American aircraft, their operations were rolled up, and the Libyans appear to have been responsible for PAN AM 103. When I met with Assad in Geneva he protested that he was being convicted for a crime he didn't do, and, in fact, the evidence doesn't point to him.

Charles Powell: The evidence, in fact, does point toward Libya. The suitcase and clothing from Malta and so on.

Robin Butler: In reconstructing the explosive device we found the timer, and it is the kind only used by libyans.

Charles Powell: The same thing was used in the plane crash in Chad.

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E.O. 13526, SECTION 5.3(b)(3)

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DECLASSIFICATION DATE: October 14, 2015

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Robin Butler: It's been a remarkable investigation.

The President: Let me report to you on a cable we have received from Shevardnadze's assistant Tarasenko. A cable that has been sent to Jim Baker. In the cable Shevardnadze regrets not being able to talk to Baker on the phone, but said that he had been exhausted and simply unable to discuss the events on the phone. He said he would call today or tomorrow. He said he would not have taken this step if the positive course in U.S./Soviet relations had not become irreversible. His successor will be constrained to follow the same course. He goes on that the personal relationship with Baker was important, and that he viewed the improvement in U.S./Soviet relations as the culmination of his career. He said he had a two hour talk with Gorbachev, in which the later refused his resignation. Then Shevardnadze told him it was final. He said he had made many sacrifices for perestroika including the resignation. He said his staying would be moral suicide. Gorbachev disagreed and insisted that he would not accept that resignation. Shevardnadze said he had insisted and would leave in a few days. Tarasenko concluded that he was convinced Shevardnadze's resolve was unshakable and that they would provide more details. The statement clearly was directed at Gorbachev, who had failed to support Shevardnadze fully of late.

Brent Scowcroft: Part of the problem is that the agreements Baker and Shevardnadze had reached are coming unstuck at home in the USSR. Gorbachev is not backing them. Shevardnadze seems to

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believe that Gorbachev is making himself hostage to the military oriented chauvinists. He feels a clampdown in the Baltics will affect foreign policy. He hopes his resignation will wake up the reformers.

Prime Minister Major: I asked Jim Baker if he had talked to Shevardnadze. Baker said that he thought that the first half of Shevardnadze's remarks to the Congress were encouraging, but that there was a disjunction between the first positive remarks and the second half which were more threatening.

Brent Scowcroft: In CFE we see ...

Prime Minister Major: Will his successor be proactive?

The President: We've set a date for the conclusion of the START Treaty. Gorbachev was interested in getting a date for the Summit locked in. We hope this will keep. I am concerned that it will affect the Gulf policy, but there's no sign of that yet. It's hard to see where we would go now, unless they would push for non-use of force. They might provide rhetorical support for delay. The Primakov line.

Prime Minister Major: Can they do that while looking to the West for economic help?

Governor Sununu: Our impression is that the Primakov trips were not quite free-lancing.

Prime Minister Major: He struck out in Baghdad.

The President: Let me raise this transfer of airline routes. I hope there won't be a legal problem and that you can let the two U.S. airlines take the place of two U.S. airlines. We had hoped

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to work to get the legal problems worked out. I wanted to call this to your attention because our airlines are in trouble. It is an important commercial matter.

Prime Minister Major: Are they officially talking at the moment?

Brent Scowcroft: PAN AM is having a short-term liquidity problem.

The President: What is your judgment on GATT. We had a long session with Carla Hills, a very able and tough negotiator.

Prime Minister Major: I met her the first day I was foreign Secretary. The bruises have healed.

The President: She knows her subject. I told her I had asked Kohl to be more forthcoming, but I am afraid I made no headway with Mitterrand.

Prime Minister Major: There was a long discussion of this at the EC meeting in Rome. There's a general recognition in the EC that the round was not well handled by either the EC or the Chair or the U.S. There were some personal bruising and the EC negotiators did not use all their negotiating room. The EC negotiators have 20 ministers sitting on their heads. In Rome, there was a recognition of the damage if there's no agreement. The dangers of protectionism and retaliation and damage to trade. There is a lengthy heated discussion about what to do. The heads want a settlement. Negotiators were told to go back and use the flexibility they have. Mitterrand was, with the support of the Irish, clearly digging his toes in, particularly the problem with agriculture. He is very miffed and worried. The rest of the EC

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was more amenable to compromise. It is important for the U.S. to move on several areas such as services, ceramics, textiles, and so on. If there is movement on these, there should be movement on agriculture from the EC. The fly in the ointment is Mitterrand. If he doesn't like the conclusions, he is prepared to veto. There's a lot of pressure on him not to do so. Kohl will help here. So the question is how to deal with Mitterrand and Kohl. It may be necessary for you to talk to them. If there is movement elsewhere, agreement is possible. Mitterrand thinks part of the problems of the round are driven by the U.S. fast track timing. He is illogical about it. Delors is more reasonable and understands the problem. Andriessen, but not McSherry, can be helpful. McSherry wants to be the Prime Minister of Ireland. It's a long convoluted story. The negotiators will go back. We're serious about an agreement, but it won't be easy.

The President: Well, we all have a domestic problem. Carla says we have shown flexibility on textiles and services. Maybe we should start from the Hellstrom text. I told Carla to go back and give the impression of flexibility. I have a big domestic problem on textiles. I barely sustained my veto. I am not sure we can be forthcoming on these without agriculture. We will try again. Should I talk to Mitterrand?

Prime Minister Major: Not yet. Only if we're near agreement. An early call is not helpful. Privately we might talk to Kohl and get him to talk to Mitterrand.

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The President: I did just that in Kohl's living room that after the election he might be helpful. We'll see.

Governor Sununu: The starting point in the round should be agriculture. We need to let the discussion go forward or this first hurdle will prevent us from finding a starting point.

Prime Minister Major: A starting point is not agreed. The negotiators instructions were not fully used. The personal relationships broke down, and it was not well chaired.

The President: Is the Hellstrom agreement a starting point.

Prime Minister Major: It was not discussed in Rome. A committee cannot negotiate. We have negotiators, let's let them negotiate. Let's just start. Go back and talk to Andriessen.

The President: What is your view of the EC generally. I try to look to the future and see how the U.S. will interact with the EC. We formalized bilateral meetings last year. We're not a member, and we don't want decisions affecting us presented as a fait accompli, such as the EBRD Bank. We'll keep trying. There may always be bumps in the road. There are differences in my own government.

Prime Minister Major: The last couple of years, there's been wind in the sails of the French and Germans. The whole idea of political union. Centralized government and decision making in the EC are not in the cards. There will be more coordination, but something short of these grand speeches. This coordination will be allied to economic and monetary union, but it does seem enthusiasm is slowing and the time table is looking different

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than before German unification. There seems to be a clearer eye now. The Germans attacked the monetary proposals at the Commission meeting. We're very optimistic. Reality seems to be breaking through and making an impact on the European countries. Your concern is the greater cohesion before the discussions with you, particularly on issues of defense and security.

The President: How will the EC cooperate with NATO? Where does NATO go? That is the discussion. Events are moving so fast that it's murky. We need to stay in close touch. There's some isolationist pressures here -- in the Gulf we've seen some fringe groups, but as the Germans move forward and there will be no Soviet troops, we may be asked just to pull back. We don't want to make a mistake, there are political issues here.

Prime Minister Major: I don't favor the EC having a defense role. There are neutrals in it, like Austria that make it inappropriate. There is enthusiasm for a bigger European defense involvement, including a bigger portion of cost, but knocking that into the WEU. There is no expressed hostility to NATO. My expectation is essentially that all want the U.S. to have a psychological and practical involvement in the defense of Europe. We do not share the grand ambitions of some for an EC defense role.

Governor Sununu: Are Soviet developments impacting on European defense thinking -- the retreat from euphoria about Gorbachev.

Prime Minister Major: I don't know. I haven't seen such a thing yet. They may be more cautious.

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Ambassador Acland: We've been sharing ideas on these issues with Gompert, Zoellick, and Reg Bartholomew. The Hurd speech in Berlin should not have caused you concern. The idea is to use the WEU in NATO to strengthen NATO as a bridge to the EC and would continue to do this. We would continue to deal with defense issues in NATO.

The President: That's the place to be. We can't see too far down the road with respect to the Germans. There's gratitude for our troops there now, but how about later. This may not be too far away. Well, we can't settle this here.

General Scowcroft: Our attraction to NATO is based on the fact that it is our institutional presence in Europe. It is the only way in which we can participate in European councils.

Prime Minister Major: I have some sense that in the post-Houston period there has been greater cohesion in the EC, but I wouldn't anticipate that thinking has gone very far on defense. There is no interest in a defense role for the EC. They'll talk a bit, but it won't come to much based on the discussions in Rome -- in terms of NATO.

The President: You saw Shamir.

Prime Minister Major: He was on his best behavior. I have no enthusiasm for seeing him at his worst. The principal element of discussion was the Gulf. We encouraged them to keep out, and it would be very unhelpful for them to become involved. Otherwise, we talked about economic issues such as the supply of oil. This

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was brushed aside without agreement. He mentioned the familiar line on the Arab/Israeli dispute and bilateral negotiations.

The President: It sounds like an overlay of our conversation; the tone was pleasant, but there are still differences. I told him we appreciate their low profile on the Gulf and that what we're doing is in their interest. I told him that if Israel was hit, we would retaliate. He shook me off and did not sign up to that. It will be difficult for them. The question is whether Saddam Hussein will seek to break the coalition by preempting against Israel. Generally on the Gulf, Shamir was supportive. Our Jewish community is upset with us on the UN Resolution, and they want more on the settlements.

Prime Minister Major: It is staggering how many immigrants are going there from the USSR.

The President: Most are drifting into the occupied territories.

Prime Minister Major: He made less of that.

The President: We long for the return of Labor.

Governor Sununu: In Israel.

Prime Minister Major: On South Africa we lifted the investment sanctions a short time ago, and the EC has lifted its ban. We hope to lift further sanctions in February if DeKlerk performs. The rationale is the self-evident need for investment in South Africa for stabilization. It has been quite a move. There is little opposition in Europe. It went extremely well. We hope to get more in March. It is important to recognize that DeKlerk has

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moved a great deal. If he is not seen to get something for what he has done, the right-wing problem will become pretty bad.

The President: I salute what you have done. We are pleased with what he has done. Mandela seems to be separating out himself. This is a good thing. He is much more moderate -- this is very important -- with DeKlerk. We are still constrained by our law on the political prisoners issue.

Prime Minister Major: We hope to revisit the sporting links. This is okay with the UK. As the UK, but not with the UK as head of the commonwealth.

The President: Sanctions are on investments, sporting, all kinds.

Prime Minister Major: Yes, on IMF and world bank lending.

Governor Sununu: Access would release informal pressure on domestic companies that are inhibited by pressure but not by law.

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