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THE WHITE HOUSE
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MEMORANDUM OF CONVERSATION

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

PARTICIPANTS: The President
The Vice President
Warren Christopher, Secretary of State
Anthony Lake, Assistant to the President
for National Security Affairs
Reginald Bartholomew, Ambassador-designate
to Italy
Charles Kupchan, 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
Isabella Randone, Interpreter

DATE, TIME September 17, 1993, 11:15am - 12:15pm
AND PLACE: Oval Office

The President: I am delighted to see you. (U)

Prime Minister Ciampi: Italy is experiencing an important recovery, though we still face crucial challenges. Parliament has approved a new electoral law. Both Italians and foreigners are regaining confidence about Italy's economy. The issue of a new bond has demonstrated renewed confidence in our economic situation. (U)

The President: This sounds very impressive. (U)

Prime Minister Ciampi: We need to manage carefully our economy and build confidence in the market. Elections will take place in the spring. It is hard to say what the result will be. There will be some political fragmentation, but the new government might not look all that different from the current one. (U)

The President: When we met in Tokyo I was impressed with what you are doing. The world needs a stable, strong Italy. You should be proud of your accomplishments. (U)

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Prime Minister Ciampi: Economic reform needs to continue. We have put together our budget for the fall with no previous discussions with the political parties. This is new for Italy. We need to reduce interest rates and cut the deficit -- by both cutting expenditures and increasing taxes. We must also increase the efficiency of the government. (e)

The President: In what areas did you cut the budget? (e)

Prime Minister Ciampi: We have focused on pensions and health care. (e)

The President: All advanced countries have systems with little control over health care costs and pensions. (e)

Prime Minister Ciampi: My program and your program are quite similar. (e)

The Vice President: Our countries also have outdated centralized bureaucracies. (e)

Prime Minister Ciampi: The central government should give direction to policy, but delegate responsibility for implementation. It is also important to get control over the budget. In the past, the Italian Parliament did not have a good system for shaping the budget. (e)

The President: We are excited by the changes occurring in Italy and happy to see public support for these changes. You have succeeded in providing a sense of stability. (e)

Prime Minister Ciampi: If you look at our Treasury Bills, you will see interest rates dropping and investors willing to go more long term. This occurred only through the market -- there was no intervention. There is simply much more confidence in the economy now. (e)

The President: We keep hoping low interest rates will lead to investment and growth. But there is a significant lag time caused by large debt. (e)

Prime Minister Ciampi: In mid-1992, the exchange rate of the lira was not competitive and there was uncertainty about the lira. Now our exchange rate is competitive. Interest rates are dropping. Costs are holding more steady. Trade unions have agreed that wage increases should be pegged to inflation -- and not rise more quickly. (e)

The President: I am delighted to be sending Reg Bartholomew to Rome. He is one of our best diplomats. He is happy to be going to Rome and happy to be leaving Bosnia. I am hopeful that the latest developments will lead to a breakthrough. (e)

Prime Minister Ciampi: Yes. Welcome developments that have taken place. Italy is close to Bosnia. Italians have been

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shocked by the irrationality of events there. We very much look forward to welcoming Mr. Bartholomew to Italy. (C)

Ambassador Bartholomew: Italy has been outstanding in helping with Bosnia: full support for naval and air operations and a major contributor to humanitarian efforts. (C)

Secretary Christopher: We are near the end game. The parties are edging closer together. We must encourage the parties and help implement an agreement. (C)

The President: The Bosnian government is ready to accept a partition. We need to get them more territory. And we need to ensure that a peacekeeping force addresses a doable mission. We must be concerned about fairness to the Muslims and about creating a settlement that is enforceable. We are hopeful about the situation. (C)

Turning to Somalia, we began our conversation in Tokyo. Since then, Aideed has asked for mediators. We need to find a political solution, but not one that sends a signal that war lords should shoot at our forces to achieve their objectives. I am, by the way, very sorry about the two Italians killed yesterday. The challenge is how to find a political solution that stops the violence and that can allow UN forces to leave -- but without sending the wrong signal. I welcome your thoughts. (C)

Prime Minister Ciampi: In Tokyo, I stated that our political approach was insufficient. We must now send a message to correct this. Based on our experience in Bosnia, the UN should appoint a negotiator to deal with the Somali clans. If we do this, it sends the message that diplomacy is more important than force. Our main goal should be to make a contribution to rebuilding the political and administrative infrastructure. A negotiator, efforts to restore political infrastructure, and actions to build local government outside Mogadishu could serve as the embryo for a new situation. We should have in mind a clear approach that can be used elsewhere. Italians are very concerned about this. What are our goals? It is difficult to find answers. Italy wants to contribute -- but Parliament is resisting. (C)

The President: So is our Congress. (C)

Secretary Christopher: We need to move Aideed out of the country while the process moves forward. This is key to diplomatic progress. This would not be incarceration, but residence in a third country. (C)

Prime Minister Ciampi: Yes. He should not be involved in the situation. But we cannot let him become a hero. (C)

Secretary Christopher: Yes, we must avoid that. It should not become a "David and Goliath" situation. (C)

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Mr. Lake: In the long term, we need to build political structures from the bottom up. In the short term, we need to get Aided out. We must keep up the military pressure. We must wed political and military initiatives. (e)

Prime Minister Ciampi: What's important for my government is that the political/diplomatic approach become more apparent. We must give more prominence to the diplomatic solution. This will help the situation in Italy. (e)

Mr. Salles: Our redeployment is continuing. We are slowly pacifying new areas. NGOs are helping with agricultural development and are providing food. (e)

The President: We will continue to press forward on these issues. (e)

Secretary Christopher: We are preparing for the NATO Summit. We are considering possible enlargement of NATO, including identifying criteria for membership. The Alliance must thrust eastward. (e)

Prime Minister Ciampi: What is important in the long term is the common civilization embodied in NATO. The conditions that gave rise to NATO are gone. But NATO is still in existence. It must adapt to the new situation. Relations between the United States and Europe are key to both. What unites us is very evident: a common culture and values. But it is difficult to know what Europe will be in ten years. Germany will expand its influence naturally. The political geography will be very different. NATO can strengthen the Alliance -- which goes well beyond military matters. (e)

The President: An agreement within NATO to take action in Bosnia will set an important precedent and facilitate the peace process. The U.S. cannot signal a withdrawal from Europe. I did not like the message sent by U.S.-European differences over Bosnia. NATO looking eastward will help explain the need for NATO to our domestic electorates. I believe that the U.S. must lead, but we must do so by reasoning with our allies and reaching a common position. (e)

Because of our economic problems, a peculiar isolationist strain is emerging in the U.S. arguing that we should stay away from Bosnia, Somalia, GATT and NAFTA. But we have learned hard lessons from the 1920s and '30s. Others in the U.S. say that we should go it alone and lead through unilateral actions. But this will hurt NATO, the UN and other institutions. The challenge is for me to sell to our people and to Congress the need for our engagement in the world. The U.S. will lead, but through a partnership. This is a very big challenge. We need a common position at the NATO Summit. UNGA will be important. I will be speaking to the world, but also to Americans. (e)

Secretary Christopher: We must manage NATO expansion in a way that does not isolate Russia. (e)

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The President: Just like we needed to be careful about intervention in Bosnia so as to avoid creating problems in Russia. ~~(S)~~

Prime Minister Ciampi: Yes, NATO enlargement should not threaten Russia. ~~(S)~~

The President: We are concerned about challenges to Yeltsin. The Russian Prime Minister was here. We will undertake new initiatives on space, the environment and nuclear clean-up. We must bolster the reformers. ~~(S)~~

Prime Minister Ciampi: We must give economic support in special areas. Foreign trade is badly needed. ~~(S)~~

The Vice President: We are concentrating on the energy sector. The Prime Minister is trying to get reform back on track. ~~(S)~~

The President: If all countries could focus on the energy sector, they would get large gains. The problem is overcoming political obstacles in Russia. ~~(S)~~

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