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ECONOMIC SUMMIT, BONN, 2-4 MAY 1985
FOREIGN MINISTERS' MEETING: MORNING, 3 MAY

Nicaragua

1. Mr Genscher introduced the morning's discussion by saying that Ministers had had a very interesting discussion on Afghanistan the previous evening. It was now time to move on to another very important regional issue: Nicaragua. He invited Mr Shultz to outline US policy.
2. Mr Shultz said that the basic objectives of the US in Central America had not changed. They were the establishment of democratic freedoms in all Central American countries. The US believed that many people in Nicaragua were dissatisfied by the establishment of a communist government which had effectively stolen the revolution. It had established a pattern of subversion of neighbouring countries, particularly El Salvador, Costa Rica and Guatemala. Soviet and Cuban influence in Nicaragua was extensive. There was also a Libyan, Iranian and PLO presence. In other Central American countries democratic forces had succeeded in establishing themselves. The economic slide had been held. Hence the centre of the problem was Nicaragua and its behaviour.
3. Mr Shultz said that the US fully supported the Contadora Process. It had conducted a series of bilateral discussions with the Nicaraguan Government. These had proved wholly fruitless. They had been used by the Nicaraguans to undermine the Contadora Process. This was unacceptable. Hence the talks had been ended. During the debate in Congress on aid to the Contras, many Congressmen had argued that the President should use the full powers available to him by imposing economic sanctions. The President had considered imposing sanctions from time to time over the past two years. He had been reluctant to do this in order not to cause suffering to the Nicaraguan people. But it was clear that the Nicaraguan Government would only take account of measures of this kind. Hence the decision had been taken. Mr Shultz said that the form of the sanctions had been very carefully considered. They had no extra-territorial aspects. Naturally, the US hoped that other Governments would take similar action, since sanctions were never effective unless widely supported, but they were not asking other Governments to take such action. The US Government had decided that, as in the case of Libya, it did not wish to have anything to do with Nicaragua. Mr Shultz added that the US had not lobbied for support among European Governments, since the US Government did not expect them to respond positively. But this would not deter President Reagan.

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4. Mr Andreotti said that the EC was in a delicate position. EC Governments had always kept in close touch with Mr Shultz over Central American policy. The EC was now preparing for a second San Jose conference, which was expected to take place after the summer break. A troika of Political Directors was now in Central America discussing the idea of a conference with Governments there, including the Nicaraguan Government. The attitude of Central American Governments had been very positive. He agreed that nobody wanted to see the Soviet Union establish itself in areas of legitimate concern to the US. It was essential in this period to have the closest contacts with the US. But sanctions were rarely helpful. They might also give the Nicaraguan Government an excuse when the Nicaraguan economy went further into decline as a result of the Nicaraguan Government's own incompetence.
5. Mr Clark said that the Canadians were very concerned about the sanctions decision, which could cause serious difficulties for the Contadora Process. He was interested to hear that the decision did not involve extra-territorial problems. Much of Canada's own trade with Nicaragua went through the US. Yet there had been statements by US officials which suggested that American subsidiaries trading with Nicaragua would be prevented from exporting. He would be surprised if any other Government took similar action to that of the US Government.
6. Mr Shultz said that the US Government was not greatly concerned whether it affected the Nicaraguans or not. It was essentially an expression of disdain. Nicaragua only showed interest in the Contadora Process when the pressure was on. As soon as the pressure on the Nicaraguan Government was relaxed it was much less forthcoming. It was essential to create a situation in which it was in Nicaragua's own interests to do what we all wanted them to do. On trade, the US Government took the view that anything which was imported into or exported from the US was subject to regulation by the US Government. This applied even if there were Canadian elements. After further exchanges on Canadian exports, Mr Shultz said that he would look at individual cases. But the US Government had the right to prevent products going from the US to Nicaragua.
7. Mr Andreotti intervened again to argue that we should not criticise Governments like Nicaragua and Libya as simply emanations of the devil. The Libyans, for example, were capable of being reasonable when it was in their interests, eg over policy towards Morocco.
8. Mr Dumas thanked Mr Shultz for his lucid account. He noted that he was not seeking assent and approval from European Governments. Hence the discussion did not have to take place under tricky conditions in which Governments were being asked for explicit support. The US initiative had come as a bolt out of the

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blue. It was at variance with the policy supported by the EC, and especially by France. The EC policy was to give full support to the Contadora Process. He understood US interests, but could not endorse the US response. The US initiative severely disrupted the Contadora Process. The picture in Nicaragua was not entirely black. The November 1984 elections had produced some votes for the Opposition, though the Contras had not been represented. It was a dangerous precedent to challenge the electoral processes of Governments around the world. There was a danger that the US sanctions could push Nicaragua closer to the Soviet Union. It risked having a boomerang effect in the third world. During President Neves's inauguration in Brazil, there had been enormous applause for President Ortega. He was making the Nicaraguans heroes.

9. Mr Dumas went on to say that he could not help but notice that whatever the American Government's attitude towards Colonel Quadhafi, there were over 3,000 Americans in Libya. The only people allowed into Libya without visas were Americans. Mr Hammer was doing very good business with Libya. The French felt that when you had problems with Colonel Quadhafi the best thing was to talk straight to him. Mr Dumas concluded by saying that he would welcome Mr Shultz's view on what the US Government would do next if the sanctions policy did not work. Would there be a further escalation?

10. The Secretary of State said that we had total understanding and support for US objectives in Central America. We fully agreed that we needed to promote peace, stability, freedom and justice there. That is why we had kept the Belize Garrison at the request of the Belize Government. That was why we had given support to President Duarte in El Salvador. All the countries at the San Jose Conference had agreed on this. The Contadora Process was an important contribution to our common aims. In Nicaragua we all wanted to see an end to disruption of neighbouring countries, and an end to the arms build-up.

11. The Secretary of State went on to say that the real question was what was the best way to achieve this in practice. We wanted to avoid the establishment of a state in Central America dependent upon or wholly loyal to the Soviet Union or its Cuban surrogate. We wanted to see genuine pluralist democracy established in Nicaragua. We had no illusions about the present level of democracy in Nicaragua. That was why we had not sent observers to the elections. We did not think that the surrounding circumstances made genuine democratic participation possible. We needed to keep up maximum pressure on Nicaragua to move in the right direction. Our anxiety was that the imposition of sanctions might have the practical effect of increasing economic dependence on the Soviet Union and Cuba. If this happened, it would set back the prospects for diminishing Soviet influence and strengthening pluralist democracy. We should remember that if we achieved the objectives of the Contadora Process, this would be a worthwhile

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prize. We would also be faced with the dilemma that, if we did not trade with Nicaragua in place of the US, the former would become even more dependent on the Soviet Union. We very much welcomed what George Shultz had said on avoiding extra-territorial problems. So, the Secretary of State concluded, this question was a practical one: everyone wanted a free and independent Nicaragua - were sanctions the best way to promote this?

12. Mr Abe said that this was a very interesting and important question. It was far from clear which way the situation would go. That was the Japanese Government's firm view.

13. Mr Genscher summed up the debate by saying that Ministers had had a useful, candid and friendly discussion. He added a further thought on the trade boycott - since the main parts of the Nicaraguan economy were still in private hands, sanctions would undermine this independent part of Nicaraguan society.

Drugs

14. Mr Genscher noted the discussion yesterday evening by Heads of Government about drug-trafficking. This was a major problem. We should try to develop a more comprehensive strategy. He suggested that Political Directors, or experts, should have an early exchange of views to see if practical proposals on a joint strategy could be worked out. Mr Andreotti agreed that it was important. There ought to be closer cooperation on legislation and elimination of drug-trafficking. There should be a public relations drive against drugs. The Secretary of State noted the massive scale of the money involved. Sometimes this outweighed even the resources of Governments. This underlined the importance of arrangements to seize and confiscate the assets of drug-runners. We were considering legislation in this direction. Such legislation would be greatly strengthened if a system of international cooperation could be established. That was why he thought that this initiative needed the support of people of the level of Head of Government and Foreign Minister.

Political Declaration

15. There was a brief discussion on the final draft of the Political Declaration which had already been approved by Heads of Government. The revised draft was rapidly approved.

Economic Issues

16. Mr de Clercq, for the Commission, embarked on a long dissertation about the problem of a new trade round. He said

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He said that the Community had exclusive competence in this area. It had publicly stated that it would play a full part in setting up a new trade round. The Community agreed that we must resist protectionism. Trade, monetary and financial issues were interlinked. This was not a question of creating pre-conditions. It was a matter of ensuring parallelism. He welcomed the recent package of measures by the Japanese Government on the date of a new trade round. He argued for a step-by-step process. It should be possible to decide that a new trade round should be launched by 1986, without going into greater detail on timing. Perhaps the preparatory steps could be given dates. We needed a balanced package with nothing automatically excluded. He was also conscious of the hesitation of developing countries. A team from the Commission were now holding discussions with leading developing countries. Mr de Clercq then moved on to the EC/US steel dispute, emphasising the need for an early decision by the US Government and the gravity of the problem. Mr Andreotti intervened to suggest that there was no point in taking the discussion further since Heads of Government would be discussing economic and trade issues.

Press Briefing

17. Mr Genscher then summed up the line which he would take with press correspondents at lunchtime. He would draw attention to the Political Declaration, stressing its importance and timeliness. He would say that interest in Afghanistan was still as great as ever. Governments condemned the continuing occupation by the Soviet Union. He would describe the mandate on drugs given to Political Directors or experts. He would say that there had been a discussion on Central America, in which Mr Shultz had explained US policy. He would stress that Governments shared common objectives. He would leave individual delegations to comment on their own position.

18. Mr Abe intervened to suggest that the discussion on Cambodia the previous evening should also be mentioned. This was agreed. Mr Shultz, in an angry outburst, said that Mr Genscher should also report that the US had just received a direct threat from the EC that unless it took certain action in the next few hours the EC would take retaliatory action. Whatever it was, the US Government had not the slightest intention of taking whatever action was proposed. He did not react well to this kind of threat. Mr de Clercq then intervened with a long statement that he had not threatened anything but had simply recorded that the US was contemplating certain action which the EC hoped it would take as soon as possible. Mr Shultz responded tartly that he had heard this threat quite clearly and was unimpressed. Mr Genscher intervened to smooth down ruffled feathers.

19. Mr Dumas then returned to the question of Nicaragua. He said that it should be made clear that some Governments had had misgivings or reservations about the US action. Under no

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circumstances must the impression be given that Mr Shultz had explained US policy and all the other delegations had simply agreed with it. Mr Genscher assured him that he would be very careful about what he said.

20. The Secretary of State said that we should also reaffirm our common commitment to the fight against terrorism. This was agreed. Mr Andreotti suggested that, on drugs, we ought to make next year a United Nations year for action against drug-trafficking. The Secretary of State said that he was not opposed to the idea in principle, but as a practical matter UN Years were normally booked up well in advance for particular issues. We would need to check this out.

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