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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Bettino Craxi, Secretary of the
Socialist Party of Italy (U)

PARTICIPANTS: U.S.
The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert L. Hutchings, Director for European
Political Affairs
James F. Dobbins, Principal Deputy Assistant
Secretary of State for European and
Canadian Affairs
Interpreter: Sim Smiley

Italy
Bettino Craxi, Secretary of the Socialist
Party
Rinaldo Petrignani, Ambassador
Interpreter: Elvira Bonaccorsi

DATE, TIME December 6, 1989, 10:05 - 10:35 a.m. EST
AND PLACE: Oval Office

The meeting preceded the photo opportunity, as the Italian press was not available at the beginning of the session. (U)

The President: Are you here on a private visit? (U)

Secretary Craxi: Yes. I hope you were not seasick at Malta.
(U)

The President: In addition to the substance of the meetings, the weather added some thrills. The press tried to make something of the fact that we were on ship and could not make our dinner, and also that Chairman Gorbachev could not go to Slava or Belknap, but that is all irrelevant. It had nothing to do with whether the meeting went well. (U)

Secretary Craxi: The impression was excellent. It was not a case of substantive decisions, but a general wave is coming. What is happening in Europe is truly extraordinary. (U)

The President: It is amazing. I wanted to get your impressions, particularly on German unification. Clearly, Gorbachev is uneasy about that. (U)

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Secretary Craxi: Of course. (U)

The President: He was not upset with anything the U.S. had said on the subject, but he did specifically mention the recent statement by the Federal Chancellor. I defended Chancellor Kohl, noting that he was not setting any timetable for unification. I wanted to ask you, and get your private judgment, about something that happened at NATO. I spelled out the points on what the U.S. position is on German reunification. There were four points.
(Ø)

Secretary Craxi: I know them. (U)

The President: Prime Minister Andreotti had a rather forceful reaction. Then Chancellor Kohl jumped in. I wondered what I was missing. Andreotti did not seem upset with the U.S., but I wondered if you knew the background to what was going on. (Ø)

Secretary Baker: It seemed his concern revolved around the term "self-determination." (Ø)

Secretary Craxi: Andreotti, I think, was thinking about something which is actually overtaken by events. He has talked about one German nation, two German states, but this is still an open question. Personally, I believe this is the most important matter, but not the one that can be solved first. I think these matters have to be accompanied by a new balance in Europe. I am thinking of Poland and Czechoslovakia. In terms of this we can deal with the German Question. These regimes are in a crisis situation, though it is not a new situation. Is it possible to have free elections in Czechoslovakia? I am not sure. When the day comes that it is possible to vote in the GDR, the path to reunification will be open. The Communists would get, say, 15 percent of the vote. (Ø)

The President: Clobbered, yes. The thing for the West to do is to stick with our position, the longstanding NATO position, and not act as if we are calling for reunification now. Let time take care of this. Today is Wednesday. You cannot tell me what will happen Thursday, and I cannot tell you. (Ø)

Secretary Craxi: I think caution is necessary. In Hungary, the situation will evolve. I am concerned about Czechoslovakia. (Ø)

The President: Why are you concerned about Czechoslovakia? (Ø)

Secretary Craxi: I see the Czech party really holding out. It is my intention to go to Prague soon, in the next couple of days. I have many friends among the dissidents. There may come about an explosive situation. (Ø)

The President: What would be an explosive situation? (Ø)

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Secretary Craxi: This could happen, for example, if some protests were met with force. (Ø)

The President: Soviet-backed, or Czechoslovak? (Ø)

Secretary Craxi: I was thinking of a Czechoslovak action, without Soviet support. I think Gorbachev has been overtaken by events. He couldn't even have imagined that what has occurred would happen. Not even we imagined this. (Ø)

The President: Exactly. And he has closed the door on the use of force, I believe. The question is: is there some circumstance that could make him open that door again? (Ø)

Secretary Craxi: This may happen, but we must make a distinction between the East bloc countries and the internal situation in the USSR. The Soviet Union will not intervene with force in an East bloc country. He is trying to maintain control but is aware that he may lose it. (Ø)

The President: I worry about the German situation. The use of force would go against what he has said, but he has lots of troops there. (Ø)

Secretary Craxi: I think he is trying to ride along with the situation, trying to avoid trauma or shock. I think they are convinced a new era has dawned. Take their attitudes toward the U.S., which are totally different, and toward Europe in general. This is because the system is crumbling. (Ø)

The President: If he pulls back, all of us have to handle the situation so as not to rub his nose in it. We would need to let him adjust. (Ø)

Secretary Craxi: If the U.S. withdraws from Western Europe with conventional arms, the U.S. taxpayer will be happy because he is paying less. The problem Gorbachev raises is not so much conventional as nuclear. (Ø)

The President: I was talking politically -- about the collapse of his system and the defeat of his ideology and philosophy. (Ø)

Secretary Craxi: That philosophical system is a total failure. This winter the Poles asked the EC for bread and flour. (Ø)

The President: Let me tell you why I said what I did. Gorbachev took vigorous exception to our talking about "Western values" winning the day, but he agreed that if we called them "democratic values" it would be okay. I took that as a very important point, a point of pride. He is trying to change toward more democratic values -- pluralism, press freedom, debate, and economic change; but he has the pride of not saying that the values of the West have prevailed and those of the East have failed. (Ø)

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Secretary Craxi: Yes, but he will not be able to come out of this tight spot unless he opens up toward the capitalist systems. I have discussed this with his economic adviser, Aganbegyan. I gave him the example of Italy, which became an important industrial country because we have U.S., German, Swedish, and Dutch industry. An international synergy has come about in our country. If they do not open up, how will they solve their economic crisis? They are trying to set up cooperatives, but that is no solution. (Ø)

The President: Yes. We found a disconnect in our meetings about how to open up. The Soviets have no knowledge of how market economies work. (Ø)

Secretary Craxi: Yes. It is a problem of culture and habit. I would like to raise the Palestinian question. We want to find a way to start a dialogue. It is a serious matter in an international situation going toward sunny days that we are unable to unblock the situation. (Ø)

The President: We are trying. Secretary Baker is trying very hard to get Israel and representatives of Palestine to talk. (Ø)

Secretary Craxi: Arafat knew I was coming to Washington and sent me a note before I left. The PLO is insisting that if there is to be a Palestinian delegation, they should be represented on it. Israel does not take kindly to this idea. (Ø)

Secretary Baker: We are working very hard, as the President just indicated. We are close to a situation in which we can satisfy both the Palestinians and the Israelis on substance, so long as neither insists too much on symbols. Everyone knows there will be no dialogue unless the PLO acquiesces to Palestinians sitting down with Israelis, but acquiescence is not the same as specific approval. (Ø)

The President: It is tough, very tough. Lebanon worries us, too. (U)

Secretary Craxi: But it is felt with regard to Palestine that in the end it is U.S. influence that will get things moving. (Ø)

The President: Then others need to exert influence, too. We are not going just to tell Israel to sit with the PLO. The PLO needs to be influenced as well. Israel has come closer, grudgingly, but Arafat is not going to get what he wants -- the PLO sitting down with Israel. Regardless of what we want, that won't happen. (Ø)

Secretary Craxi: This is really tricky, because the Palestinians on the West Bank are really far worse than the PLO. These are tricky formalities. (Ø)

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Secretary Baker: I am not sure you can convince Israel of that.
(Ø)

Secretary Craxi: [These brief remarks were made during a photo opportunity.] Castro is a big problem. (Ø)

The President: Castro is way behind Gorbachev. He cannot seem to cut the umbilical cord. (Ø)

-- End of Conversation --

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