

# MIR MARKER

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**Folder Title:**

The Participation of President Clinton at the Halifax Economic Summit, June 15-17, 1995  
[Briefing Book] [1]

**Staff Office-Individual:**

Executive Secretary

**Original OA/ID Number:**

2586

Row:	Section:	Shelf:	Position:	Stack:
35	2	10	1	V

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
<del>001. memo</del>	<del>Anthony Lake and Laura Tyson to President William J. Clinton re: Your Trip to Canada for the G-7 Summit (4 pages)</del>	<del>06/12/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>002. memo</del>	<del>Warren Christopher to President William J. Clinton re: The G-7 Summit in Halifax, June 15-17 (5 pages)</del>	<del>06/10/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>003. paper</del>	<del>Thursday G-7 Working Dinner (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>004. talking points</del>	<del>Lead Intervention: Reshaping the World Economic System (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>005. paper</del>	<del>The G-7 Past, Present and Future (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>006. paper</del>	<del>Exchange Markets (3 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>007. talking points</del>	<del>Points for Halifax Discussion on Exchange Markets (3 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>008. paper</del>	<del>What Works in Creating Jobs? (3 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>009. paper</del>	<del>US Economic Outlook (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>010. paper</del>	<del>Background on G-7 Economic Outlook (6 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>011. paper</del>	<del>Friday Morning G-7 Working Session (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>012. paper</del>	<del>Reforming the International Financial Architecture (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>

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Executive Secretary  
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The Participation of President Clinton at the Halifax Economic Summit, June 15-17, 1995 [Briefing Book] [1]

2016-0136-M  
kh1785

### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]  
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]  
P3 Release would violate a Federal statute [(a)(3) of the PRA]  
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]  
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]  
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.  
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).  
RR. Document will be reviewed upon request.

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<del>013. paper</del>	<del>Improved Early Warning System (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>014. paper</del>	<del>Emergency Financing Mechanism (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>015. paper</del>	<del>Orderly Workout Arrangements (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>016. paper</del>	<del>Update on Mexico's Stabilization (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>017. paper</del>	<del>Reform of UN Economic and Social Agencies (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>018. paper</del>	<del>Debt of the Poorest Countries (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>019. paper</del>	<del>International Trade (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>020. paper</del>	<del>Financial Services (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>021. paper</del>	<del>Environment (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>022. paper</del>	<del>Review of 1992 Rio Earth Summit (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>023. paper</del>	<del>Bilateral Aid (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>024. paper</del>	<del>Middle East Development Bank (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>025. paper</del>	<del>World Bank and Regional Development Bank Reform (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>

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<del>026</del> paper	U.S. Participation in the International Development Association (1 page)	<del>06/00/1995</del>	<del>P1/b(1)</del> KSM 4/30/2020

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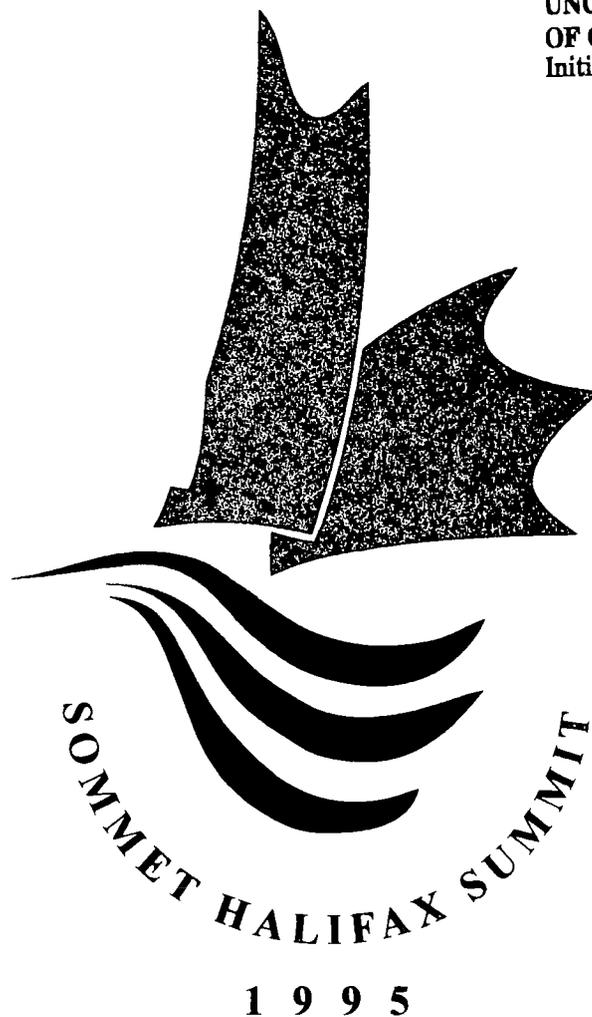
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

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UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ATTACHMENTS  
Initials: KEM Date: 1/22/2020

2016-0136-M



**The Participation of  
President Clinton  
at the  
Halifax Economic Summit  
June 15-17, 1995**

**Executive Secretary's Office**

~~SECRET~~

**The Halifax Economic Summit, June 15-17, 1995**  
**Executive Secretary's Office**



## D. Environment

Topics: Environment  
Review of 1992 Rio Earth Summit

## E. Development Banks (Possible additional topic for discussion)

Background: Bilateral Aid  
Middle East Development Bank  
World Bank and Regional Bank Reform  
U.S. Participation in IDA

## III. FRIDAY G-7 WORKING LUNCH

## A. Chernobyl

Topic: Chernobyl  
Background: Economies in Transition

## B. Terrorism and Crime

Topic: **Presidential Lead:** Terrorism and  
International Crime  
Background: Financial Action Task Force: Money  
Laundering  
Iran

## IV. FRIDAY G-7 PLENARY SESSION

Topic: **Presidential Lead:** Russia  
Background: Russia Economic Situation  
Nonproliferation  
Bilateral Nuclear Safety Program with Russia  
Pipeline Issues

## V. FRIDAY P-8 WORKING DINNER: GLOBAL ISSUES

## VI. SATURDAY P-8 SESSIONS

Topic: Bosnia  
Background: European Security

## VII. SATURDAY P-8 LUNCH

Topic: UN Reform: Discussions with Russia

## ADDENDA

Draft Summit Communiqué  
Chairman's Statement  
Key Players at the Summit: Bios

# INTRODUCTION

**SCHEDULE  
OF KEY EVENTS**

**TRIP OF THE PRESIDENT  
TO  
HALIFAX, NOVA SCOTIA  
June 15 - June 17, 1995**

Thursday, June 15, 1995

tba

**MORNING RUN**

8:10 am

**THE PRESIDENT** departs White House via motorcade en route Reflecting Pool  
[drive time: 5 minutes]

8:15 am

**THE PRESIDENT** arrives Reflecting Pool

8:25 am

**THE PRESIDENT** departs Reflecting Pool via Marine One en route Andrews Air Force Base  
[flight time: 15 minutes]

8:40 am

**THE PRESIDENT** arrives Andrews Air Force Base

tba

**DEPARTURE STATEMENT**

**TARMAC**

Andrews Air Force Base

Remarks:

Staff Contact:

**PRESS??**

9:00 am

**THE PRESIDENT** departs Andrews Air Force Base via Air Force One en route Halifax, Nova Scotia Airport  
[flight time: 1 hour, 55 minutes]  
[time change: + 1 hour]

**BRIEFING FOR JAPANESE BILATERAL**

**ABOARD AIR FORCE ONE**

Staff Contact: Tony Lake, Laura Tyson

11:55 am

**THE PRESIDENT** arrives Halifax Airport

12:10 pm

**THE PRESIDENT** departs Halifax Airport via motorcade en route Boat  
[drive time: 5 minutes]

12:15 pm

**THE PRESIDENT** arrives Boat

12:20 pm

**THE PRESIDENT** departs via boat en route Historic Halifax  
[travel time: 30 minutes]

12:50 pm                    **ARRIVAL CEREMONY  
HISTORIC HALIFAX**  
Remarks??  
Staff Contact:  
**PRESS??**

1:00 pm                    **THE PRESIDENT** proceeds to motorcade

1:15 pm                    **THE PRESIDENT** departs site via motorcade en route site tba  
[drive time:]

1:30 pm                    **THE PRESIDENT** arrives site tba and proceeds to hold

1:35 pm-  
2:20 pm                    **BRIEFING WITH SECRETARY CHRISTOPHER,  
RUBIN AND AMBASSADOR KANTOR**  
**THE PRESIDENT'S OFFICE, ADMINISTRATION BUILDING**  
Dalhousie University  
Staff Contact: Tony Lake

2:20 pm-  
2:30 pm                    **HOLD/BILATERAL BRIEFING**  
**SITE TBA**  
Dalhousie University  
Staff Contact: Tony Lake

2:30 pm-  
3:30 pm                    **MEETING WITH JAPANESE**  
**THE BOARD ROOM**  
Dalhousie University  
Staff Contact: Tony Lake, Laura Tyson  
**PRESS??**

3:30 pm-  
4:30 pm                    **DEBRIEFING**  
**THE PRESIDENT'S OFFICE**  
Dalhousie University  
Staff Contact: Tony Lake

4:35 pm-  
5:05 pm                    **PRESS STATEMENT**  
**QUADRANGLE OR MCDONALD HILL**  
Dalhousie University  
Remarks:  
Staff Contact: Tony Lake, Laura Tyson  
**PRESS??**

5:15 pm                    **THE PRESIDENT** departs site via motorcade en route hotel  
[drive time: 15 minutes]

5:30 pm                    **THE PRESIDENT** arrives hotel

5:30 pm-                    **DOWN TIME/BRIEFING**

6:15 pm HOTEL  
Staff Contact: Tony Lake

6:30 pm THE PRESIDENT departs hotel via motorcade en route Government House  
[drive time: 12 minutes]

6:42 pm THE PRESIDENT arrives Government House

6:42 pm-7:00 pm LEADERS' WELCOME RECEPTION  
ROOM TBA  
Government House  
Staff Contact: Tony Lake  
PRESS??

NOTE: Begins at 6:00 pm. The President will be the last to arrive.

7:00 pm-9:00 pm LEADERS' WELCOME DINNER  
ROOM TBA  
Government House  
Staff Contact: Tony Lake  
PRESS??

9:05 pm THE PRESIDENT departs Government House via motorcade en route the Chateau Halifax  
[drive time: 10 minutes]

9:15 pm THE PRESIDENT arrives the Chateau Halifax

9:30 am-10:15 am BRIEFING  
THE CHATEAU HALIFAX  
Staff Contact: Tony Lake

BC AND HRC RON THE CHATEAU HALIFAX  
HALIFAX, NOVA SCOTIA

Friday, June 16, 1995

8:45 am-9:15 am BRIEFING  
THE CHATEAU HALIFAX  
Staff Contact: Tony Lake, Laura Tyson

9:25 pm THE PRESIDENT departs the Chateau Halifax via motorcade en route Summit Place  
[drive time: 5 minutes]

9:30 pm **THE PRESIDENT** arrives Summit Place

9:30 am-  
11:30 am **LEADER'S ONLY MEETING**  
4TH FLOOR  
Summit Place  
Staff Contact: Tony Lake, Laura Tyson  
**PRESS??**

11:30 am-  
11:40 am **PULL-ASIDE WITH PRIME MINISTER MAJOR**  
SITE TBA  
Summit Place  
Staff Contact: Tony Lake  
**PRESS??**

11:45 am-  
1:00 pm **LEADER'S WORKING LUNCH**  
7TH FLOOR  
Summit Place  
Staff Contact: Tony Lake, Laura Tyson  
**PRESS??**

1:25 pm **THE PRESIDENT** proceeds to Waterfront

1:30 pm **G-7 CLASS PHOTO**  
WATERFRONT OF SUMMIT PLACE  
Staff Contact: Tony Lake  
**PRESS??**

1:40 pm **THE PRESIDENT** departs Waterfront en route Maritime Museum

1:45 pm **THE PRESIDENT** arrives Maritime Museum

1:45 pm-  
3:15 pm **SUMMIT PLENARY SESSION/FINAL APPROVAL**  
**OF COMMUNIQUE**  
MARITIME MUSEUM  
Staff Contact: Tony Lake, Laura Tyson  
**PRESS??**

3:20 pm **THE PRESIDENT** proceeds to Sackville Landing

3:30 pm-  
3:40 pm **PRESS STATEMENT WITH G-7 PARTICIPANTS**  
SACKVILLE LANDING  
Staff Contact: Tony Lake, Laura Tyson  
**PRESS??**

3:40 pm **THE PRESIDENT** departs Sackville Landing via motorcade en route  
the Chateau Halifax  
[flight time: 5 minutes]

3:45 pm	<b>THE PRESIDENT</b> arrives the Chateau Halifax
3:50 pm- 5:30 pm	<b>DOWN TIME (POSSIBLE STATEMENT) CHATEAU HALIFAX</b>
5:30 pm- 6:00 pm	<b>TAPE RADIO ADDRESS ROOM TBA Chateau Halifax Remarks: Staff Contact: Richard Strauss</b>
6:00 pm- 6:30 pm	<b>BRIEFING ROOM TBA Chateau Halifax Staff Contact: Tony Lake</b>
6:45 pm	<b>THE PRESIDENT</b> departs Chateau Halifax via motorcade en route Waegwoltic Boat Club [drive time: 12 minutes]
6:57 pm	<b>THE PRESIDENT</b> arrives Waegwoltic Boat Club
7:00 pm- 7:15 pm	<b>LEADER'S RECEPTION ROOM TBA Waegwoltic Boat Club Staff Contact: Tony Lake PRESS??</b>
7:15 pm- 9:00 pm	<b>LEADER'S WORKING DINNER ROOM TBA Waegwoltic Boat Club Staff Contact: Tony Lake PRESS??</b>
9:07 pm	<b>THE PRESIDENT</b> departs Waegwoltic Boat Club via motorcade en route Harbourfront [travel time:]
9:30 pm	<b>THE PRESIDENT</b> arrives Harbourfront
9:35 pm- 10:35 pm	<b>CIRQUE DE SOLEIL HARBOURFRONT Staff Contact: PRESS??</b>
10:35 pm- 10:45 pm	<b>HOLD VVIP TENT Harbourfront</b>

10:45 pm-  
11:03 pm

**FIREWORKS  
HARBOURFRONT  
PRESS??**

11:07 pm

**THE PRESIDENT** departs Harbourfront via motorcade en route the Chateau Halifax  
[drive time: 5 minutes]

11:12 pm

**THE PRESIDENT** arrives the Chateau Halifax

**BC AND HRC RON**

**THE CHATEAU HALIFAX  
HALIFAX, NOVA SCOTIA**

Saturday, June 17, 1995

8:30 am-  
9:00 am

**BRIEFING  
THE CHATEAU HALIFAX  
Staff Contact: Tony Lake**

9:05 am

**THE PRESIDENT** departs the Chateau Halifax via motorcade en route Maritime Museum  
[drive time: 10 minutes]

9:15 am

**THE PRESIDENT** arrives Maritime Museum

9:35 am-  
10:00 am

**PLENARY SESSION OF LEADERS AND  
FOREIGN MINISTERS  
MAIN FLOOR  
Maritime Museum  
Staff Contact: Tony Lake  
PRESS??**

10:00 am

**THE PRESIDENT** and leaders proceed to Summit Plaza

10:05 am-  
10:20 am

**UNVEILING OF COMMEMORATIVE PLAQUE/GROUP  
OF NINE PHOTO  
WATERFRONT  
Summit Place  
Staff Contact: Tony Lake  
PRESS??**

10:30 am-  
11:30 am

**LEADER'S MEETING  
ROOM TBA  
Summit Place  
Staff Contact: Tony Lake**

**PRESS??**

11:30 am **THE PRESIDENT** departs Summit Place on foot (??) en route World Trade and Convention Center (WTCC)

11:35 am- **CHAIRMAN'S STATEMENT AND PRESS CONFERENCE**  
WTCC  
Staff Contact: Tony Lake  
**PRESS??**

12:00 pm **THE PRESIDENT** departs WTCC on foot (??) en route Summit Place

12:05 pm- **BRIEFING FOR MEETING WITH PRESIDENT YELTSIN**  
1:00 pm ROOM TBA  
Summit Place  
Staff Contact: Tony Lake

1:00 pm- **FAREWELL LUNCHEON**  
2:00 pm 7TH FLOOR  
Summit Place  
Staff Contact: Tony Lake  
**PRESS??**

2:15 pm **THE PRESIDENT** departs Summit Place via motorcade en route site tba  
[drive time: 15 minutes]

2:30 pm **THE PRESIDENT** arrives site tba

2:30 pm- **BILATERAL WITH RUSSIAN PRESIDENT YELTSIN**  
3:45 pm SITE TBA  
Staff Contact: Tony Lake

3:45 pm- **DEBRIEFING**  
4:45 pm SITE TBA  
Staff Contact: Tony Lake

4:45 pm- **PRESS STATEMENT**  
5:15 pm SITE TBA  
Remarks:  
Staff Contact: Tony Lake  
**PRESS??**

5:15 pm **THE PRESIDENT** departs site via motorcade en route golf site  
[drive time: 15 minutes]

5:30 pm **THE PRESIDENT** arrives golf site

5:30 pm- 9:30 pm	<b>GOLF SITE TBA PRESS??</b>
9:30 pm	<b>THE PRESIDENT</b> departs golf site via mtoorcade en route Halifax Airport [drive time: 30 minutes]
10:00 pm	<b>THE PRESIDENT</b> arrives Halifax Airport
10:15 pm	<b>THE PRESIDENT</b> departs Halifax Airport via Air Force One en route Andrews Air Force Base [flight time: 1 hour, 55 minutes] [time change: - 1 hour]
11:20 pm	<b>THE PRESIDENT</b> arrives Andrews Air Force Base
11:35 pm	<b>THE PRESIDENT</b> departs Andrews Air Force Base via Marine One en route Reflecting Pool [flight time: 15 minutes]
11:50 pm	<b>THE PRESIDENT</b> arrives Reflecting Pool
12:00 am	<b>THE PRESIDENT</b> departs Reflecting Pool via motorcade en route White House [drive time: 5 minutes]
12:05 am	<b>THE PRESIDENT</b> arrives White House
<b>BC AND HRC RON</b>	<b>WHITE HOUSE</b>

**SCOPE MEMO**

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

June 12, 1995

DECLASSIFIED  
FER E.O. 13526

2016-0136-M(1.01)

KBH 1/22/2020

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM:

ANTHONY LAKE *TL*  
LAURA TYSON *LOT/MF*

SUBJECT:

Your Trip to Canada for the G-7 Summit

OVERVIEW

This year's G-7 summit will review the international economic architecture you and the other leaders launched at Naples last year. The most notable accomplishment is a package of measures to enhance multilateral capacities to prevent, and respond effectively to, financial crises. The substantive work of the summit will compete for attention with our auto dispute with Japan, Bosnia, Chechnya and the decline of the dollar.

THE HALIFAX AGENDA

Upon arrival in Halifax **Thursday at noon (June 15)** you will have a one-hour bilateral meeting with Prime Minister Murayama.

**Thursday dinner** begins the G-7 meetings. The agenda allows for open exchange of views among the leaders. Prime Minister Chretien has asked you to take the lead in the discussion of international architecture. Job creation may also be discussed.

**The daytime sessions on Friday (June 16)** involve only the G-7 leaders. During the morning the leaders will discuss financial stabilization and other institutional issues. At lunch you will take up specific new challenges; you have been asked to lead off the portion of the discussion on terrorism and crime. The afternoon plenary session focuses on Russia. Prime Minister Chretien has also asked you to begin this session. The communiqué will be issued in the late afternoon.

**Friday dinner** will be President Yeltsin's first participation at the summit. At Naples this dinner was essentially social. At Halifax this will be a working dinner with leaders discussing global issues. We expect Yeltsin will take this opportunity to address economic questions even though the G-7 will be formally completed.

~~CONFIDENTIAL~~

Declassify on: OADR

**Saturday (June 17)** will include Russia as a full participant in the discussion of political and security issues. The focus will be on Bosnia. The farewell luncheon, that follows release of the Chairman's statement will focus on UN reform.

On **Saturday afternoon** you will have a seventy-five minute bilateral meeting with President Yeltsin.

## **OBJECTIVES**

Creating a new international economic architecture is not a task for a single meeting or even a single year. It is an evolutionary process. In reality, the review is the latest example of your continuing leadership in adjusting the international economic system to meet the challenges of today's world. NAFTA, APEC and the GATT agreements are major achievements in pursuit of this end.

Your first objective for the Summit is to continue to project your leadership of this ongoing restructuring of the international economic system. This entails highlighting the agreement on a solid package of measures to avoid financial crises and respond effectively if a crisis does occur. The Mexican and Baring's Bank problems of the last six months have posed the most immediate challenges to the international economic system. The review process you initiated last year has responded effectively to the gaps in the international system exposed by these problems. The package includes:

- IMF procedures to induce greater transparency of financial data so markets discipline policies before a crisis develops.
- Creation of an emergency financing mechanism in the IMF, supported by a doubling of resources available under the General Arrangements to Borrow.
- Exploration of the feasibility of orderly workout mechanisms.
- Greater cooperation among our financial regulators.

A second objective at Halifax is to spur reforms in multilateral development banks and United Nations economic and social agencies. Significant strides have been made in the MDBs, which should be consolidated and extended. Reform has barely begun in the UN agencies. A key aim is to achieve as much specificity as possible at Halifax on the UN reforms we recommend so there is some real direction given to reform efforts.

A third objective is to focus the attention of the leaders on new problems -- notably terrorism and crime. We would like to energize law enforcement agencies to more effective cooperation in confronting these international problems.

A fourth objective is to achieve agreement on capitalizing a Middle East development bank. To date, France, Britain and Germany have agreed only to a technical assistance organization. Both the peace process and economic development in the region will be advanced significantly if the regional organization can actually fund projects.

A fifth objective is to examine employment and growth developments in the G-7 countries. The economic tone of the Summit should be more sober than last year, given signs of a slowdown in growth, although it is still positive. Given the combination of continued price stability and lower growth here and abroad, we believe the principal economic task for the G-7 should be to work to preserve the momentum of recovery.

On the political side of the Summit, you have two basic objectives. First, we must try to achieve as much consensus as possible on Bosnia policy and at the very least, avoid further rifts with the Europeans. This task, difficult enough with our traditional allies, is further complicated by the involvement of Russia. Maintenance and strengthening of UNPROFOR continue as our immediate aims.

Second, you must try to keep our relations with Russia and Yeltsin himself in the present uneasy equilibrium. Chechnya obviously makes this more difficult. Yeltsin will push for greater involvement in the G-7, something that is neither politically nor economically desirable. Yet, while you must hold off his demands for greater participation, we do want to use the existing mode of involvement to deepen Russia's commitment to democratic and market-oriented values.

The presence of President Yeltsin places our relationship with Russia generally, and Chechnya specifically, squarely before the leaders and public eye. The Russians have not agreed to any language on Chechnya in the Chairman's Statement. However, Prime Minister Chretien will indicate in his press conference Chechnya was discussed and express the feelings of the G-7.

#### **DISTRACTIONS AT HALIFAX**

While we would like to focus attention on economic and security achievements at Halifax, several looming issues will attract the attention of the press and perhaps even some of the leaders. This prospect is increased because while the agreements to be

reached at Halifax are solid, they are not the wholesale rewrite of the international economic system some erroneously expected. Furthermore, a leak of the draft communiqué from Europe has given the press a good idea of the likely Summit outcomes.

Foremost among the distractions is our auto dispute with Japan. No matter what disclaimers we issue beforehand that autos will not be negotiated at Halifax, huge attention will be focused on your bilateral with Murayama. The issue may also be raised in the context of discussing the WTO system in the G-7 itself. Furthermore, it is possible the Japanese will wage an active public relations campaign on the fringes of the summit (the Japanese sherpa assures us this will not occur, but we will be prepared to "meet the competition" if that occurs.)

We cannot deflect all attention from the auto issue. By having the bilateral with Murayama before the summit begins, we at least avoid any expectation of a showdown hanging over the summit. We also are seeking to have, by the time of your bilateral, agreement on a date for a high-level meeting between our negotiators during the following week. This will permit you to state the action on the issue will not be at Halifax.

There are other possible distractions. The decline of the dollar with the accompanying rise of the yen, the mark and the franc, have raised concerns in Japan and continental Europe. There may be domestic political reasons for these countries to complain about the dollar's strength and to advocate the United States should raise interest rates and achieve further deficit reduction. While we have consistently made clear that a strong dollar is in the U.S. interest, monetary tightening is not desirable in light of recent signs of weak second quarter growth. Moreover, our deficit as a share of GDP is already one of the lowest in the G-7 (correcting for cyclical factors) -- higher only than in Germany and Japan -- and quite sustainable at 2.6 percent.

**SECRETARY OF  
STATE MEMO**

**THE SECRETARY OF STATE  
WASHINGTON**

June 10, 1995

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DECL:6/15/10

**DECLASSIFIED**  
**PER E.O. 13526**  
2014-0136-M (1.02)  
KBM 1/22/2020

MEMORANDUM FOR: THE PRESIDENT

FROM: Warren Christopher *W/C*

SUBJECT: The G-7 Summit in Halifax, June 15-17

I. SETTING

This year's meeting at Halifax presents an opportunity to demonstrate the G-7's commitment to address the most important political and economic challenges our societies will face in the 21st century. Under your leadership last year at Naples, we set an ambitious agenda that included reviewing and revitalizing the international economic institutions; promoting jobs and economic growth; fostering global prosperity and sustainable development; opening markets and integrating the new democracies of Central and Eastern Europe. In Halifax we can claim important progress on this agenda and set the stage for further action in the coming year.

The major accomplishments at Halifax will fall into three broad categories: improving the international economic architecture to deal with potential financial crises and instability; reforming the international institutions responsible for the environment and development; and improving international cooperation on the new security challenges, such as international crime and terrorism, nuclear smuggling and non-proliferation. In addition, you will be addressing important on-going concerns such as Bosnia, Russia and the Middle East Development Bank (MEDB).

The Canadians have provided adept leadership, and only a few issues remain to be resolved.

The Summit occurs as the G-7 countries, except Japan, are benefiting from economic recovery. In Europe, exports have led growth in the upturn. For this reason, Europeans

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have been vocal in lamenting depreciation of the dollar against their currencies which has limited their export growth. The Europeans, especially the French, are also concerned about the phenomenon of "jobless recovery."

We and our G-7 colleagues agreed early to accord Russia the same level of engagement as at last year's Summit in Naples. We believe the "7 + 1" formula reflects Russia's importance in world affairs, while recognizing that Russia is not ready for full membership in a "G-8." Although the Russians have tried to expand their role, we have held steadfastly to our line, with the sole exception that the second night's dinner, when Yeltsin joins the discussions, will be a working dinner instead of a social one. (This change also reflects Prime Minister Chretien's desire to keep the Summit "businesslike.")

The traditional Summit Communique will be issued by the Seven heads of state, as it was at Naples. The Chairman's Statement ("at Eight") will incorporate political topics on the Summit agenda, including peacekeeping, non-proliferation, the Middle East, democracy and human rights. In addition, the Chairman will deliver a "personal statement" addressing Chechnya and other issues concerning Russia.

## II. OBJECTIVES AND STRATEGY

### International Architecture: Managing the Global Economy.

Post-Mexico, a primary focus at Halifax will be to improve our management of an interdependent and rapidly evolving global economy. There is strong G-7 interest in devising new methods to prevent financial crises and to provide resources to assist countries in extreme balance of payments difficulty. In light of European concerns about financial market instability, you should press to cement the emerging G-7 consensus to increase IMF resources and establish sound methods to manage national debt crises.

### International Architecture: Promoting Sustainable Development.

Following up your 1994 Naples initiative, you should press hard for specific plans to revitalize economic institutions. The G-7 must provide momentum for institutional reform; its leadership will be critical to convince developing countries to join us. Many OECD countries support an energetic approach. Budget constraints in G-7 countries underscore the urgency of plans to restructure economic institutions. Urge your colleagues to go beyond general statements to endorse

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detailed and substantive proposals for making UN economic and social bodies work more effectively. You may need to push France, Germany and Italy to agree to a Communique with real substance on UN reform. You should also seek a commitment for a follow up process involving both G-7 and developing countries. Reform will strengthen UN capacity to encourage sustainable development, a major G-7 priority.

The Seven will propose to re-focus World Bank programs to advance sustainable development objectives. You should anticipate criticism of Congress's deep cuts in the IDA budget. You will want to emphasize your continued commitment to full funding of IDA.

We also want to secure G-7 support for the proposed regional development bank for the Middle East and North Africa, which would help provide tangible benefits of peace to the region. Japan, Italy and Canada support the bank but other G-7 countries have not made a political decision. We need a positive statement at Halifax to break the logjam and you should place this proposal, which originated with Egypt, Israel, Jordan and the PLO, squarely in the context of promoting a just, lasting and comprehensive peace in the Middle East.

Jobs and Growth. Your leadership at Naples focused attention on the need to redefine traditional approaches to job creation. France has expressed interest in hosting a conference of Labor ministers to report to the 1996 Summit on follow-up to the Detroit Jobs Conference; you should endorse this proposal.

Trade. G-7 leaders fear the U.S./Japan autos dispute will dominate Halifax and overshadow other priorities. We scheduled June 12-13 talks with Japan in Geneva and proposed further talks June 20-21 in Washington, to deflect Summit attention from autos. You should argue forcefully against expected efforts by Japan to insert language critical of "unilateralism" in trade (read: Section 301) into the Communique, and urge leaders to focus Summit discussions on broader trade issues.

Global Issues. We have made considerable progress in raising the Summit profile of global issues but we seek increased attention to non-proliferation and nuclear safety, environmental issues, counter-terrorism and human rights. You should emphasize the urgency of improving cooperation to fight international crime, including money laundering, and the need to implement stronger counter-terrorism measures.

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We are working to get agreement on a ministerial level meeting of the G-7 and Russia on terrorism later this year and may need your intervention to bring them on board. We also have interagency agreement on a potential agenda for such a meeting which you might pre-review for your counterparts in Halifax. This year, we won specific mention of individual human rights cases in the Chairman's Statement, a Summit first. Follow up to the 1992 Rio Earth Summit remains a high G-7 priority. Your counterparts may seek assurances that the U.S. will honor its obligations under the Convention on Climate Change. On Chernobyl, the G-7 welcome Kuchma's commitment to shut down by 1999. While a response to his specific requests for additional assistance will have to await further analysis from the IFIs, we need to assure Kuchma of continuing G-7 involvement, particularly in pressing the IFIs to accelerate work in Ukraine's energy sector.

Political Issues. We have already secured language in the P-8 which endorses our major objectives on European security, arms control, Haiti, the Agreed (U.S.-DPRK) Framework, Middle East peace as well as on Iraq, Iran and Libya. The key outstanding issues concern what the P-8 will say about Russia itself, nuclear cooperation with Iran, nuclear smuggling and Bosnia. Because Russia would not agree to G-8 language on Russian political and economic reform and Chechnya, Prime Minister Chretien will make a personal statement, which we will see in advance, describing the discussions among the Eight on Russia.

There is a reference in the G-8 on nuclear cooperation with Iran which by itself is insufficient to reflect our opposition to the Russian reactor sale. Although the G-7 will not accept an unequivocal statement ruling out any form of nuclear cooperation with Iran in the Communiqué, we are confident that Prime Minister Chretien will, in his "personal statement" on Russia, mention the G-7 consensus against nuclear cooperation involving transfer of reactors or associated activities. In order to impress the others with the importance that we attach to this issue, you will need to make our case on Iran both with the Seven and with Yeltsin.

We have reached a satisfactory accord on nuclear smuggling, including tough specific language on our agenda for the first time. We will also want the Eight to commit to completing soon after Halifax the Plan of Action we have pushed. Obtaining this commitment will require your intervention.

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Bosnia may well overshadow all other issues, economic, global or political at Halifax, and there will be a strong declaration on that subject either in the Chairman's Statement or in a separate document. We may have to resist British and French pressure to convoke any separate Bosnia Contact Group meeting during the Summit, since both Canada and Italy resent not being part of that grouping.

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**SECRETARY OF THE  
TREASURY MEMO**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

June 9, 1995

SECRETARY OF THE TREASURY

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin *R. E. R.*

SUBJECT: Themes for the Upcoming G-7 Summit

As the Halifax Summit approaches, I thought it would be useful to review for you some of the key economic and financial issues you will face.

Economic Outlook for the G-7.

The G-7 face a more uncertain outlook this year. Performance in 1994 was strong with solid growth, employment gains, and the best inflation record in 30 years. This year the pace of U.S. and European growth has slowed, and Japan faces the real risk of a significant economic crisis.

A stream of weak economic data including a sharp drop in May employment suggest that the U.S. expansion has tapered off significantly over the first half of this year. Whether our economy has entered a true slowdown, or is merely easing to more sustainable growth levels will have some bearing on our G-7 partners' own growth prospects.

Germany's is the dominant European economy. The key question for Europe is therefore whether German interest rates will have to come down further to restore momentum for growth. European output expanded at about 2.5 percent in 1994, but appears to have lost some steam over the first half of this year as consumer spending ebbed.

France's fate is tightly linked to Germany's performance and policy. French President Chirac faces the added difficulty of having to fulfill pledges to cut unemployment, while still reining in spending to meet the fiscal criteria for European monetary union.

Italy and Great Britain are among the few European countries whose economies are more independent of Germany's, because their currencies float against the d-mark. Both are further along in the business cycle than other European economies. Britain has recently seen some softening after a robust year of 4 percent growth, and must decide whether to tighten monetary policy further and risk choking off growth. Italian recovery continues despite high interest rates, lira volatility, and major fiscal problems which must be addressed.

Japan's problems represent the most serious concern. The Japanese face several severe challenges: a very weak growth outlook, damage caused by the yen's rise, growing unemployment, a fragile banking sector, and a deflationary economic environment that is almost unprecedented for a modern industrialized country. Japanese authorities have shown little inclination to take effective action to tackle these difficulties, whether by stimulating domestic demand through fiscal measures, or increasing monetary growth.

## The Dollar

Exchange rate movements over the first few months of 1995 have been dramatic. The dollar has declined 15 percent against the yen and 9 percent against the mark. On a trade-weighted basis the dollar has declined only 6 percent this year, largely because of the fall of the Mexican peso and Canadian dollar. The mark has appreciated only about 6 percent on a trade-weighted basis. The most striking movement has been a 15 percent rise in the trade-weighted yen.

At Halifax you will undoubtedly hear complaints that the dollar's weakness has made other countries' exports less competitive, threatening their recoveries. You may therefore hear calls for immediate steps to strengthen the dollar. The Europeans believe that we should take more aggressive fiscal measures. Some may propose that the G-7 consider more active management of exchange rates. Some may suggest consideration of mechanisms to lessen perceived capital market volatility, such as a tax on currency trading.

I suggest the following responses:

- o We remain committed to a stronger dollar, and are not interested in using the dollar as a tool of trade policy.
- o It is not wholly clear what relationship exists between the dollar and the budget deficit. Deficit reduction, by increasing investor confidence in the United States, could draw in greater capital flows. That would strengthen the dollar. On the other hand, cutting government spending may weaken the economy somewhat by reducing fiscal stimulus. That effect could send the dollar lower.
- o Overall, fiscal discipline remains the only way to ensure long-term currency stability. We have already achieved a substantial reduction in the budget deficit -- the U.S. now has the lowest deficit in the G-7 as a share of GDP. We remain committed to further reductions in our deficit as a share of the economy, and are confident that we will achieve such reductions following negotiations with the U.S. Congress. Moreover, we continue to support the Federal Reserve's independent policy of pursuing a rigorous monetary policy to combat inflation.

- o Further U.S. efforts to strengthen the dollar would require a rise in interest rates that could throw our economy into recession, harming prospects for global growth.
- o U.S. measures alone cannot ensure an end to currency imbalances. Other countries must take steps consistent with their own domestic economic conditions to maintain growth and correct external imbalances. Germany must consider the need for further interest rate reductions to ensure that the present expansion continues. Japan must move strongly to stimulate domestic demand, both through a loosening of monetary policy as well as fiscal measures.
- o It is important for the finance ministers and central bank governors to continue to cooperate, as we are prepared to do. Successful currency market interventions by many of our authorities over the past several weeks were one example of that cooperation.
- o We do not believe that drastic solutions such as active exchange rate management or a tax on currency trading can work. Establishment of exchange rate targets would require a degree of precision in economic forecasting that does not exist. The G-7 would also have to subordinate domestic concerns to the achievement of international objectives. There is a real risk that a tax on trading or other restraints would undermine all the benefits of mobile capital flows and liquid financial markets. That would harm world growth with little evidence that it could lessen market volatility.

#### Revision of the International Financial Architecture

The international financial architecture requires rejuvenation to deal with two major challenges. First, the speed and integration of global financial markets has increased enormously over the past several decades. Second, we continue to face the enduring challenge of promoting sustainable growth in the developing world.

#### Measures to Address New Financial System Realities

Mexico's difficulties have highlighted some of the risks that accompany the benefits offered by the development of international financial markets. Our G-7 partners did not necessarily share all our views regarding the potential international effects of Mexico's difficulties, or whether official support, above and beyond what private markets were willing to do, was appropriate. Some also believe we failed to consult adequately with other states in organizing our own and the international financial institutions' response.

G-7 authorities were initially reluctant to consider specific proposals to enhance the international financial institutions' capacity to meet new financial system needs. We have

since overcome this reluctance to win broad consensus on a number of measures. These initiatives are far-reaching, but will not require a radical overhaul of the institutions:

- o Early Warning and Prevention. More effective early warning and prevention of potential financial problems should rely primarily on improved transparency and disclosure by countries of economic and financial data. This will allow the market to monitor economies, discipline policy mistakes and encourage policy changes before a crisis develops.

Transparency and disclosure are far more powerful tools than the limited leverage available through the IMF's surveillance mechanism. The IMF must shift its approach to focus more on encouraging countries to disclose greater information to the markets, rather than concentrating on what countries disclose privately to the IMF.

- o Emergency Financing Mechanism. Prevention may not always succeed, meaning future financial crises may arise that threaten the stability of the system. To deal with such crises, a mechanism must be established that can mobilize financial assistance quickly, and in force.

The IMF should establish such a new emergency financing mechanism to provide rapid assistance to countries experiencing severe difficulties. Funds for the mechanism would come from a doubling of those now available from the General Arrangement to Borrow (the GAB). (The GAB is a \$25 billion credit line to the IMF from the 11 major industrial countries and Saudi Arabia.) Emerging market countries with strong financial positions would provide a portion of the new funding for such an arrangement.

Such a mechanism must be a surgical tool to be mobilized in exceptional circumstances and only under stringent conditions, so that the moral hazard risks inherent in any lender of last resort arrangement are not exacerbated.

- o Orderly workout mechanisms. Further study is needed of mechanisms that could support an orderly debt workout for countries experiencing difficulties. The financial system would benefit and we would reduce the risks of cascading financial crises if we could develop a way to bring a country's creditors together to organize such a resolution of difficulties.

## Measures to Foster Sustainable Development

The multilateral development banks, particularly the World Bank group, remain an essential focus of our efforts to promote sustainable development. Constraints on our resources mean that efforts must center on continued reform of these institutions and their work, rather than on the provision of new resources. Our efforts to push for substantial

reforms are being significantly eroded by Congressional proposals to cut U.S. funding. In particular, proposals to cut our contribution to the International Development Agency -- the World Bank's concessional assistance window for the very poorest countries -- have shattered our credibility within the development banks. These proposed cutbacks have also hurt our efforts to push for a number of new initiatives, such as the establishment of a Mideast Development Bank.

Despite the domestic debate, we have succeeded in obtaining broad based consensus among our G-7 partners on key reforms which the multilateral development banks should enact. These reforms, which we have been advocating in the banks for some time, include the following elements:

- o Multilateral development banks must focus a substantially greater share of their resources on basic social programs, such as education and health care, that attack the roots of poverty.
- o Environmental concerns must be at the heart of all development programming.
- o Development banks must bolster their efforts to catalyze private financial flows and private sector activity in developing countries.
- o Development banks must support governmental reforms that assure transparency, public accountability, democracy and the rule of law.
- o The international financial institutions should create a new mechanism to coordinate support for countries emerging from economic or political crisis. The mechanism would draw on existing resources to facilitate as smooth and rapid a transition to rehabilitation as possible.

#### Other Development Initiatives:

We are considering a number of other initiatives which could usefully advance our development goals:

- o Sale of IMF gold to reduce poor countries' debt: New mechanisms must be considered through which the international financial institutions can reduce debts owed to them by the poorest countries. One proposal on the table is to use the earnings on sales of part of the IMF's gold for this purpose. However, opposition from the Germans, Japanese, and French has prevented agreement on this approach by the Summit.

- o Mideast Development Bank: The United States strongly supports regional parties' call for the establishment of a Mideast Development Bank. Such a bank could play a very important role in fostering development in the region by catalyzing private sector investments in essential infrastructure and transborder needs, including communications, power and transport. The Bank would also serve as a key regional forum for the coordination of economic policy and the harmonization of legal and regulatory infrastructure.

**PRESS  
STATEMENT**

TO BE PROVIDED

**G-7 SUMMIT  
SESSIONS**

**THURSDAY G-7  
WORKING DINNER**

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THURSDAY G-7 WORKING DINNER

DECLASSIFIED  
FER E.O. 13526  
2014-0134-M (1.03)  
KBH 1/22/2020

Scene:

This is the first working session of the G-7. Prime Minister Chretien intends to provide opportunity for an open exchange of views. In practical terms any subject may be fair game for discussion. However, he has also suggested two broad topics: "Strengthening the International Architecture" and "What Works in Creating Jobs?". Chretien has asked you to lead off discussion of the first topic and to follow Chirac in the jobs discussion.

Discussion:

Strengthening the International Architecture: This topic is in essence an introduction to the issue-by-issue discussions to be held Saturday. As suggested in the attached talking points, you can use your lead intervention opportunity to (1) place the review of the international architecture in the context of ongoing efforts to adjust institutions to new realities and problems; (2) reinforce measures the G-7 will be proposing on international financial stabilization; (3) emphasize the G-7 must provide leadership in advancing reform in the development institutions; (4) note that leadership means the G-7 must be specific in recommendations for reform, particularly reform of UN economic agencies. This last point, on which Prime Minister Major strongly agrees with us, could not be resolved at the sherpa level, since the continental Europeans resist targeting specific institutions for reform or consolidation.

Chretien may also want to discuss the future of the G-7 itself, including the question of Russian participation. A paper on this topic follows. On Russia, most agree that Russia is neither politically nor economically prepared to be part of the G-7; the next step in the relationship is to move Russia's P-8 participation beyond simple attendance at the Leaders' meeting to cooperation with ongoing activities of the group, such as dealing with international organized crime.

Finally, this is a session in which discussion of the dollar and exchange market reform might arise. A paper and key points from which to draw are attached.

Creating Jobs: Chirac probably will use his lead role here both to emphasize the importance of continued G-7 attention to job creation and to speak about his own plans in France. He may also propose a ministerial meeting on jobs in France as a kind of follow-up to the Detroit conference. We support such a call.

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You have been asked to add a comment after Chirac. While you will doubtless wish to tailor your comment to his remarks, you should probably include emphasis on the importance of sustaining momentum for economic recovery. There is danger that this momentum is lagging throughout the G-7. Kohl, reflecting the traditional German obsession with anti-inflationary policies, will probably resist this suggestion. Papers on the macroeconomic outlook and our experiences with job creation efforts follow in this section.

\* \* \*

It is possible that either the architecture or the jobs discussion may include **criticism of the weak dollar** and, by extension, our economic policies and/or proposals to fix exchange rates. Our basic point here is while we favor a stronger dollar, we believe the only way to achieve it is through strengthening economic fundamentals. If an exchange rate arrangement were in place at present, for example, we would probably have to raise interest rates to help strengthen the dollar. This would obviously undermine our basic desire to sustain growth.

**Strengthening  
Int'l Architecture**

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LEAD INTERVENTION: RESHAPING THE WORLD ECONOMIC SYSTEM

Key Points:

- Regard Summit's review of international economic architecture as continuing effort to reshape world economic system to meet today's challenges.
- See five challenges:
  1. trade liberalization
  2. integrating economies in transition into world economy
  3. dealing with dangers to financial system
  4. achieving sustainable development
  5. meeting new problems like international crime
- Major evolution of trading system: creation of WTO, NAFTA, raised profile of APEC, expansion of European Union.
- In past, summits cooperated to aid economies in transition.
- Appropriate at Halifax we give attention to financial system, challenges of sustainable development and new problems like terrorism and crime.
- Should be proud of accomplishment in producing solid package of measures to deal with Mexico-like financial crises: both to prevent crises and respond quickly, adequately and cooperatively when crisis does occur. Most pressing problem faced by international system in last year, and we addressed it in lead up to Halifax.
- Review of development institutions should produce mission statements for them in setting their agendas and pursuing their own activities -- should reflect our emphasis on basic human needs, protecting environment and complementing private sector development.
- Multilateral development banks, World Bank in particular, making great strides. Jim Wolfensohn will consolidate and extend progress.
- Everyone agrees reform needed in UN economic and social institutions, but have barely begun effort.
- Problems of duplication, top-heavy administrations, lack of coordination among agencies need revision to meet today's challenges.

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2016-0136-M (1.04)  
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- Reputation of these agencies creates real political problems for us at home when we try to defend whole United Nations -- imperative for them to reform.
- Agencies exist not for people from our countries, or rest of world who work in them, but for people in recipient countries. Unlike multilateral development banks, reform of UN agencies hardly begun.
- We (G-7) must show leadership, if we don't, no one will. Doesn't mean imposing things on UN. Can't do anyway. Means laying out program and working to convince others to accept, implement it.
- Understand there is issue on how much specificity on UN reform to include in communiqué. Need to be specific as possible. Platitudes don't help. Communiqué read by people to see details of what we propose -- more specific, more impact.
- Need to commit to continued cooperation in implementing recommendations, not just for UN, but for multilateral development banks (MDBs) and IMF as well.
- Like to see Halifax remembered in five years as key moment in taking stock of international economic institutions and advancing reform to propel prosperity into 21st century -- dealing with potential crises, moving MDBs forward and jump-starting process of UN reform.

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THE G-7 -- PAST, PRESENT AND FUTURE

DECLASSIFIED  
FER E.O. 13526  
2016-0136-M (1.05)  
KBH 1/22/2020

Issue:

Prime Minister Chretien feels the G-7 needs to review its own architecture: its tendency toward greater structure, its generation of ministerial meetings and perhaps its membership.

Key Points:

- Informality among greatest virtues of G-7. Should not program meeting to extent we lose forum for real discussion.
- Presently do not see benefit to expanding membership, although should continue to examine issue.

Background:

The G-7 has its origins in a 1975 informal gathering of the US, UK, Germany, Japan and Italy at the Chateau de Rambouillet to discuss major financial issues. Canada joined two years later and the heads of the European Commission and Presidency country completed the membership. Early summits focused on financial issues but gradually expanded to include trade, employment and issues of the day such as oil shocks. Politics were not originally on the agenda but increasingly leaders used the meetings to exchange views on key political and security issues. The "G-7 plus one" dialogue with the Russians began in 1991 with the invitation of Mikhail Gorbachev; President Yeltsin has pushed to broaden his participation in G-7 discussions.

Institutionally the G-7 has evolved over time from a highly informal exercise, orchestrated by a handful of sherpas, to a more structured body including regular meetings of Foreign and Finance Ministry sous-sherpas and political directors. Inevitably, the annual summits have become major events -- the Super Bowl of the summit season.

Apart from the annual summits, the G-7 has evolved into a critical actor in international financial cooperation. G-7 Finance Ministers and central bank governors meet regularly to review and coordinate macroeconomics policies and build consensus on joint actions and activities of the IFIs. G-7 finance deputies meet frequently to discuss topical issues. In recent years there have been a number of ministerial meetings involving G-7 countries (environment, telecommunications, job conferences).

PM Chretien wants leaders to consider whether the current structure is the right one. Should it return to its slim, informal roots, as PM Major and others have suggested? Naples

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Declassify on: OADR

began a move in this direction by reintroducing extended heads-only sessions but retained a role for foreign and finance ministers. Or should the G-7 move the other way and become a year-round coordinating body in areas other than financial cooperation?

Informal meetings of leaders can produce unique insights and bold initiatives; over-institutionalization may reduce this element of flexibility. On the other hand, the press focus on these summits drives the process to produce "results", which requires preparation. Apart from leaders' meetings, the summits and the lead-up to them offer a unique and valuable forum for simultaneous foreign policy coordination with Europe and Japan.

A more far-reaching issue is whether the G-7 should expand. Critics charge the G-7 does not reflect the evolving global economy; one journalist dubbed it the "Geriatric 7." The arguments for keeping the G-7 as it is are: (1) The most likely additions have not yet demonstrated a long-term commitment to a liberal, international economic system and substantial economic influence, and (2) any expansion risks losing the intimacy of the group. However, given the changes now occurring in the global economy it is inconceivable that the G-7 will not also evolve. And we must anticipate that evolution.

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EXCHANGE MARKETS

DECLASSIFIED  
PER E.O. 13526  
2016-0131-M (1.06)  
KBH 1/22/2020

Issue:

The substantial fall in the dollar and the accompanying rise in the mark and yen have begun to hurt output in Japan and continental Europe, provoking public criticism of U.S. economic policy and reviving interest in a more managed exchange rate system and in controls or taxes to limit volatility.

The G-7 monetary authorities share the view the dollar should appreciate from current levels, and they are prepared to cooperate closely in exchange markets when appropriate. While they are collectively unenthusiastic about proposals to move toward more fixed or closely managed exchange rates and taxes or regulatory controls on capital movements, their leaders do not all share this view.

Key Points:

- Stronger dollar very much in our interest.
- Only enduring way to achieve more stability in exchange markets is to focus on strengthening economic fundamentals through sound, credible policies.
- Committed to achieving further deficit reduction; share Fed's goal of sustaining expansion with low inflation.
- Need to ensure finance ministers and central banks work together to preserve momentum of recovery.
- Taxes or controls on capital flows do not work.

Background:

What's happening to the dollar?

The dollar has declined nine percent this year on a trade-weighted basis, 15% against the yen and 13% against the mark. For the past few weeks, it has been relatively stable at levels roughly four percent above the recent lows.

Several factors appear responsible for the recent fall:

- Deflation in Japan, the associate rise in real interest rates and concern about the large external surplus.

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Declassify on: OADR

- Concern about the level of U.S. saving and the large U.S. deficit.
- Pressure on weaker European currencies, driven by fiscal problems and political uncertainty, which has strengthened the mark.

These factors help explain part of the move, but there is a widespread view the recent moves have gone too far. With Japan's GDP now approaching that of the United States and U.S. wage costs substantially below those in Japan and Germany, many conclude the dollar is undervalued.

Why do the G-7 want the dollar to appreciate?

A stronger dollar benefits the United States and the world economy for several reasons:

- Helps restore confidence in U.S. assets necessary to finance our current account deficit, which is necessary to provide a level of investment that exceeds our domestic savings.
- Helps contain inflationary pressures in the United States and thus helps keep interest rates low, sustaining expansion.
- Helps preserve dollar's role as principal reserve currency.
- Reduces risks of damaging contraction in economic activity in Japan or deeper slowdown in Europe, which ultimately would hurt U.S. exports.

What are we doing about all this?

We have been cooperating closely with the G-7 monetary authorities to encourage the policy change necessary to sustain expansion and promote greater stability.

On May 31, the G-7 intervened in the exchange markets in concert, which helped push the dollar up significantly from its recent lows. Since then, the dollar has moved in narrow ranges.

Are the Europeans right to blame us for the dollar's fall?

Europeans and Japanese officials attribute the dollar's decline primarily to concern about our budget deficit, our low savings rate and our current account deficit. While there is something to this view, it confuses the relationship between fiscal policy, the current account and the exchange rate.

- Reducing the U.S. budget deficit further would increase savings and contribute to a reduction in the current account deficit but only if there was a recession or a decline in the dollar. Just like the large Reagan-era budget deficits were associated with a strong dollar, a fiscal consolidation would normally weaken the dollar.
  
- If more dramatic deficit reduction in the United States increased investor confidence in U.S. assets, that might attract capital inflows and strengthen the dollar but the result would be a larger rather than a smaller current account deficit.

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POINTS FOR HALIFAX DISCUSSION ON EXCHANGE MARKETS  
(Not for the public or press)

The following are responses to some of the criticisms and proposals that may be raised at Halifax.

**Issue: The recent turmoil in exchange markets is the fault of the United States and its your responsibility to fix it.**

- Number of factors behind recent movements in major currencies.
- In Japan, deflation and financial weakness kept investment at home; concerns about large current account surplus and closed markets contributed to rise in yen against all currencies.
- In Europe, political uncertainty and perception of increased risk in some currencies strengthen the mark.
- Need greater stability by pursuing policies that sustain expansion with low inflation, reduce trade imbalances and open markets.

**Issue: The United States is risking serious damage to the economic expansion and to the trading system by letting the dollar fall.**

- Strong dollar is in U.S. interest and that of world economy.
- Not in interest of trading partners to cut U.S. recovery off with increase in interest rates designed to support dollar.
- Maintain clear firewall between exchange rate policy and trade policy. Have not and will not use exchange rate as tool of trade policy.

**Issue: The dollar will not recover until you commit to more credible deficit reduction.**

- Already achieved substantial reduction in budget deficit -- U.S. deficit as share of GDP is one of the lowest in G-7 at 2.6 percent.
- Committed to further reductions in budget deficit as share of economy.

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- Not convinced U.S. budget deficit significant factor in dollar's decline -- decline coincided with substantial reduction in U.S. budget deficit over past two years. Contrast with era of large Reagan budget deficits that caused substantial strengthening of dollar.

**Issue: We need to move to an exchange rate system that provides more stability. We need more effective cooperation to prevent adverse movements and excessive volatility.**

- Committed to G-7 process. Need effective dialogue on macroeconomic policy issues; prepared to act together in exchange markets as appropriate.
- Only enduring path to greater stability is for us to improve our fundamentals, continue to cooperate.
- As recent experience suggests (e.g., Mexico), fixed targets for exchange rates difficult to maintain in face of changing economic fundamentals.
- Believe intervention more effective when surprise. Authorities trying to defend target with intervention are sitting ducks for market that quickly overwhelms them.
- Not in interest to systematically push interest rates around to defend particular exchange rate target at expense of domestic growth or inflation.

**Issue: Short-term speculators, hedge funds and "the markets" are a malign force that needs to be restrained.**

- Don't have viable options through controls or regulations to impose more stability on exchange markets.
- Markets too big, move too fast and too sophisticated to use regulation as solution. They will innovate around any tax or control or move trading activity to another jurisdiction.
- There's real risk we would undermine all benefits of mobile capital flows and liquid financial markets if tried to constrain activity.
- What is important is we act to improve capacity to safeguard system from systemic risk.
- Need to give our support to more intensive cooperation among financial regulatory authorities to deal with challenges exposed by Barings' collapse and other derivative related losses.

Issue: Why not agree to undertake a more fundamental study of the exchange rate system to explore possible reforms?

- Already concluded number of recent reports in this area.
- The G-10's "Dini" report concluded speculators were small part of 1993 financial market turbulence.
- Finance Ministers undertook review of exchange rate system in past year; concluded more managed system not viable option.
- Agreeing to another study would indicate lack of confidence in current system, create uncertainty in markets, raise expectations we cannot satisfy and suggest we are trying to avoid more fundamental policy commitments that underlie stability.



WHAT WORKS IN CREATING JOBS?

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Issue:

G-7 Leaders face the common task of helping their workforces to meet the dual challenges of increased international integration and technological advance. They share a common goal of developing policies to encourage the creation of secure, high quality jobs for their workforces.

Key Points:

- Two patterns apparent among G-7 economies. Some European economies, faced with persistent high unemployment, turning to deregulation of labor markets to encourage additional flexibility.
- In less regulated labor market of United States, had real success in reducing unemployment: 6.7 million new jobs created since I took office. However, income disparities increased with stagnant or declining incomes for bottom 80 percent of U.S. workers.
- Pursuing third way that emphasizes investing in workers to equip them for lifelong learning and job mobility. Providing incentives for reemployment and job training programs, creating school-to-work programs to facilitate youth employment and promoting high performance work practices.
- Given common challenges and divergent responses, G-7 policymakers benefit from exchange of information on fostering labor market adaptability, investing in human capital and designing social safety nets that provide incentives to work, building on work program initiated in Detroit in 1994.
- For instance, would be instructive to learn from Canada's evaluation of its experiences with policies to improve employability of its work force, particularly youths.
- Strong job creation and mobility depend on maintaining robust noninflationary growth. Faced with recent signs of a slowdown in growth and continued price stability, principal economic task for G-7 this year is to preserve momentum of recovery and reinforce the economic expansion where needed. Close coordination of macroeconomic policies is vital, given tight linkages between these economies and their importance for world economy as a whole.

If French proposal for employment ministerial raised:

- Welcome proposal from French government to hold ministerial on employment issues; look forward to hearing report at 1996 G-7 Summit.

**Background:**

- **G-7 Record on Employment Issues:** A focus on employment issues in the G-7 has been a hallmark of this Administration. The Leaders announced their plan to hold the first-ever G-7 ministerial focusing on jobs at the Tokyo Summit. The following spring, 24 cabinet ministers gathered at the G-7 Jobs Conference in Detroit to discuss labor market developments in the G-7 countries and to undertake a joint program of research and exchanges. Several months later, the G-7 Leaders in Naples reaffirmed the importance they attach to labor market issues. They agreed to focus on assuring "that the global economy of the 21st century will provide sustainable development with good jobs, economic growth, and expanded trade to enhance the prosperity and well-being of the peoples of our nations and the world" in Halifax this year.
- **The Challenge:** Recent trends in employment growth, earnings and unemployment levels offer persuasive evidence a skilled, adaptable work force can provide enduring comparative advantage. Labor market policies can help in upgrading both the skill levels and adaptability of work forces in the G-7 countries.
- **Investing in Human Capital:** In the new global economy, workers must develop an ethic that equips them for continuous lifetime learning and retraining and encourages them to remain informed of job market developments. Tight budgets require tough choices. Hope to have bipartisan legislation that will provide skill grants to empower individuals to make wise human capital investments.
- **Accounting for Human Capital Investments:** Human capital investments yield returns over a period of years in terms of increased productivity, labor force participation and improved social outcomes. It is likely some public investments in human capital ultimately result in improvements to future fiscal balances, as earnings and the associated tax revenues rise.

- **High Performance Workplaces:** Workers are concerned not only with the quantity of jobs but also with the quality of jobs. Firms that organize work to promote job quality through teamwork, job rotation, worker input to decisionmaking and skills building typically achieve higher productivity and thus pay higher wages. Our High Performance Workplace initiative encourages "best practice" work organizations in promoting productivity improvements.
  
- **Maximizing the Incentive to Work:** Each G-7 nation grapples with the problem of how to help people who are chronically jobless. In the European countries, this problem typically manifests itself in high rates of long-term unemployment. In the United States, concern focuses on welfare recipients and the weak labor force attachment of low-skilled workers due to low wages. In both cases, the goal is to move these people into jobs.
  
- **Fostering Labor Market Adaptability:** The G-7 partners need to develop policies to increase efficient job mobility. Faced with high structural unemployment, many countries are considering removing or relaxing a variety of regulations that inhibit labor market flexibility. On the other hand, such regulations provide security to the employed, and their absence may lead to increased income inequality. Identifying policies that enhance labor market flexibility while minimizing the cost in terms of job insecurity and widening income disparities is a top priority among the G-7.

US ECONOMIC OUTLOOK

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Issue:

The current slowdown should allay earlier concerns about overheating. Second quarter indicators suggest a weaker economy than we anticipated 2 months ago. However, we expect solid, noninflationary growth resume late in the year.

Key Points:

- While current quarter's growth weaker than desirable, little evidence we are off track for "soft landing" (an easing of inflationary pressures with no significant increase in unemployment). Revising 1995 real GDP growth estimates below 2.4 percent predicted in January budget. But expect growth strong enough to keep unemployment from rising significantly.
- U.S. deficit as share of GDP is one of lowest in G-7 at 2.6 percent -- higher only than Germany and Japan. Our 1993 Budget Act already secured over \$600 billion in deficit reduction through 2000. Strongly committed to achieving further deficit reduction.
- Pleased with lack of inflationary pressures. Inflation forecast to rise moderately, if at all, during 1995.

If weak dollar raised:

- Consistently made clear strong dollar is in U.S. interest. Although some bilateral exchange rate movements substantial, on real trade-weighted basis, dollar has fallen only 6 percent this year and about 11 percent since 1992.

Background:

The economy is now slowing down considerably:

- Weakening economic growth reflects a sharp reduction in new home construction, a sharp reduction in auto production and a drop in exports to Mexico associated with the collapse of the peso.
- Although real disposable personal income rose 4.5 percent in the first quarter of 1995, there are signs that growth slowed sharply in the second quarter.

However, several factors should cushion the current slowdown and help ensure continued economic growth over the near term.

- The first half of 1995 saw a sharp decline in long-term interest rates and a surprisingly strong stock market. Mortgage interest rates have fallen below 8 percent for the first time since March 1994.
- Real investment in plant and equipment remains strong. It increased at an annual rate of over 20 percent in the first quarter of 1995 -- slightly above the average for the last 2 years.
- A lack of significant wage pressures results in an optimistic outlook on inflation. Consumer prices are forecast to rise by 3.2 percent in 1995.
- Unemployment is forecast to remain within 5.5 - 5.8 percent, consistent with the economy's long-run growth potential.

BACKGROUND ON G-7 ECONOMIC OUTLOOK

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The economic tone of the Summit should be more sober than last year, given signs of a slowdown in growth, although still positive. Given the combination of continued price stability and lower growth here and abroad, we believe the principal economic task for the G-7 this year should be to preserve the momentum of recovery.

Growth:

- Following a year of remarkably strong noninflationary growth in much of the G-7 last year, growth has slowed. We are considerably less optimistic about second quarter growth in the U.S. and less certain about first and second quarter growth in Europe than we were earlier in the year.
- We still expect to see moderate noninflationary growth resume both in the United States and Europe late in the year, although we will be watching carefully for signs of weakness.
  - While the current quarter's growth may be weaker than desirable in the United States, there is little evidence that we are off track for a "soft landing" (an easing of inflationary pressures with no significant increase in unemployment).
  - Although continued recovery in Europe is likely, growth has been less impressive than in earlier upturns, and some forecasters in Germany are concerned about the impact of the higher DM on exports. Despite the recovery, most European countries and Canada continue to grapple with unemployment rates near or exceeding 10 percent.
  - Canada and the UK, which went into recovery earlier than most European countries, will see growth slow this year.
- Faced with a combination of stagnation and deflation, Japan remains very weak. A nascent recovery earlier in the year has been undercut by the recent rise in the yen.

**Exchange Rates:**

- Although the dollar has weakened considerably on a bilateral basis vis-a-vis the DM and the yen, this has been somewhat offset by a rise in the dollar against other currencies. On a real trade-weighted basis, the dollar has fallen only 6 percent this year and about 11 percent since the end of 1992.
- The most striking movement has been an increase in the real trade-weighted yen by 11 percent this year and 27 percent since the end of 1992.
- Changes in the trade-weighted DM have been more modest: an increase of 6 percent this year but only 4 percent since the end of 1992.

**Fiscal Balances:**

- Following substantial deficit reduction since 1992, the U.S. deficit as a share of GDP is one of the lowest in the G-7. At 2.6 percent, it is higher only than in Germany and Japan.
- Over the past three years, the Japanese fiscal balance has swung from surplus into deficit, as the government has instituted a policy of providing fiscal support for demand. There are currently no plans for new stimulus measures, however, despite signs of continued weakness.
- Several G-7 countries, including Germany, Canada and the U.K. have made impressive strides in reducing fiscal imbalances over the last 3 years.
- Italy continues to struggle with the largest fiscal imbalance among the G-7, despite some progress over the last 3 years. France has made little progress on fiscal consolidation.

**Interest Rates:**

- Since the beginning of the year, long-term interest rates have declined in most G-7 countries. The declines reflect weaker-than-expected economic activity.
  - The first half of 1995 saw a sharp decline of 170 basis points in long-term rates in the United States, as markets reacted to signs of economic weakness.
  - Japan and Germany have experienced significant but somewhat smaller declines (150 and 80 basis points,

respectively), reflecting a deterioration in the economic outlook due to currency appreciation. In Japan, troubles in the banking system and price deflation have also contributed to the decline.

- Declines in other G-7 economies have been mixed. While in Britain, rates are down by as much as in Germany, rates have fallen less in France and hardly at all in Italy because of political uncertainties. Canada has experienced a sharp decline because of a combination of weakness in the economy and a strong fiscal package.

#### Current Account Balances:

- Current account imbalances may see only a moderate correction this year if any.
- Japan's surpluses have been declining as a share of GDP since early 1993. The current yen rise could slow the decline in the short run but later accelerate it while weak economic growth will exacerbate the imbalance.
- In the United States, the fall in the dollar should strengthen exports, and slower income growth should slow the pace of import growth. Although an export rally may result from a weaker dollar and the recovery in Europe, this will be offset by continued stagnation in Japan and the financial crisis in Mexico.

#### Inflation:

- Consumer price inflation is expected to remain low: around 2.5 percent for the G-7 in aggregate this year and next, slightly up from 2.2 percent last year.

Comparative Forecasts: Treasury, IMF, OECD, Fed, Consensus

	<u>1994</u>	<u>1995</u>					<u>1996</u>				
		<u>Treas</u>	<u>IMF</u>	<u>OECD</u>	<u>Fed</u>	<u>Cons</u>	<u>Treas</u>	<u>IMF</u>	<u>OECD</u>	<u>Fed</u>	<u>Cons</u>
<u>Real GDP Growth</u>											
U.S.	4.1%	2.8%	3.2%	3.2%		3.1%	2.5%	1.9%	2.3%		2.4%
Japan	0.6	0.9	1.8	1.3	1.0	1.3	2.0	3.5	2.3	3.0	2.0
Germany	2.9	2.9	3.2	2.9	3.1	3.0	2.8	3.3	2.7	2.9	2.8
France	2.6	3.0	3.2	3.2	2.9	3.0	2.9	3.0	3.0	3.3	2.8
Italy	2.2	2.9	3.0	2.8	2.8	2.9	2.6	3.0	3.0	3.7	2.7
UK	3.8	2.7	3.2	3.2	3.3	3.2	2.6	2.8	2.9	2.8	2.9
Canada	4.5	3.6	4.3	4.1	3.8	3.9	2.8	2.6	3.4	2.5	2.8
<b>G-7</b>	<b>3.1</b>	<b>2.5</b>	<b>3.0</b>	<b>2.8</b>	<b>2.7</b>	<b>2.8</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.7</b>	<b>2.5</b>
<u>Inflation (CPI % change)</u>											
U.S.	2.6%	3.1%	3.1%		3.1%		3.2%	3.5%			3.5%
Japan	0.7	-0.2	0.3		-0.1	0.4	0.3	0.7		-0.3	0.8
Germany	3.0	2.2	2.0		2.3W	2.3W	2.3	2.0		2.5W	2.6W
France	1.7	1.9	2.0		1.6	1.9	2.1	2.0		1.5	2.3
Italy	3.9	5.6	5.2		5.3	5.0	5.6	4.2		6.0	4.5
UK	2.5	3.6	2.9 <sup>1</sup>		3.0	3.5	3.4	2.8 <sup>1</sup>		3.9	3.5
Canada	0.2	2.0	2.0		2.6	2.2	2.2	1.9		2.4	2.5
<b>G-7</b>	<b>2.2</b>	<b>2.5</b>	<b>2.5</b>		<b>2.5</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>		<b>2.5</b>	<b>2.9</b>

		<u>Treas</u>	<u>IMF</u>	<u>OECD</u>	<u>Fed</u>	<u>Cons</u>	<u>Treas</u>	<u>IMF</u>	<u>OECD</u>	<u>Fed</u>	<u>Cons</u>
<u>Current Account (\$ billions)</u>											
U.S.	-\$156	-\$180	-\$178	-\$187	-\$192	-\$172	-\$180	-\$179	-\$188	-\$191	-\$151
Japan	+129	+111	+130	+123	+105	+120	+89	+128	+121	+95	+90
Germany	-20	-25	-27	-11	-22	-19	-31	-33	-18	-20	-17
France	+10	+10	+10	+13	+9	+9	+9	+11	+10	+8	+6
Italy	+15	+18	+23	+13	+26	+16	+22	+28	+17	+30	+18
UK	-0	-2	-3	+2	-2	+1	-2	-2	+1	-2	+0
Canada	-18	-15	-11	-13	-16	-14	-12	-11	-9	-15	-13
<b>G-7</b>	<b>-40</b>	<b>-83</b>	<b>-56</b>	<b>-61</b>	<b>-92</b>	<b>-60</b>	<b>-105</b>	<b>-60</b>	<b>-67</b>	<b>-95</b>	<b>-68</b>

<sup>1</sup> Excludes mortgage interest

W: W. Germany only; **IMF and Consensus forecasts unclassified.** *1994 PPP Weights*  
May 1995 forecasts. (April for OECD (Canada, France, Italy, UK growth and all current accounts))

## UNEMPLOYMENT RATES

## Comparative Forecasts: Treasury, IMF, OECD, Consensus

	1994	1995				1996			
		Treas.	IMF	OECD	Cons.	Treas.	IMF	OECD	Cons.
U.S.	6.1%	5.8%	5.5%	5.6%	5.6%	5.9%	5.7%	5.7%	5.7%
Japan	2.9	2.9	2.9	3.1	3.0	2.8	2.8	3.1	3.1
Germany	9.6	9.1	9.1	9.2	9.2	8.5	8.6	8.7	8.8
France	12.6	12.0	12.1	12.1	12.1	11.5	11.4	11.6	11.7
Italy	11.3	11.4	11.3	11.1	11.4	11.5	10.6	10.4	11.0
UK	9.4	8.3	8.3	8.2	8.1	7.8	8.1	7.5	7.4
Canada	10.4	9.7	9.2	9.5	9.4	9.5	9.0	9.2	9.2
G-7	7.2		6.7				6.6	6.5	
OECD Europe	11.6			11.0				10.6	
EU	11.6		11.1	11.1			10.6	10.5	

IMF and Consensus forecasts unclassified.

May 1995 forecasts {April for OECD (Canada, France, Italy, UK)}

**FRIDAY AM G-7  
WORKING SESSION**

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FRIDAY MORNING G-7 WORKING SESSION

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FER E.O. 13526  
2016-0136-M (1-11)  
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Scene:

This session is the formal opportunity for the **review of the international economic architecture**. Canada has proposed that following a statement of any conclusions from the previous evening's discussion, the morning be divided into discussion of **four topics**: (1) Avoiding another Mexico, (2) Strengthening the UN, (3) International trade, and (4) Environment. This would be the logical part of the Summit for a discussion of sustainable development and multilateral development banks as well, though the Canadians have not included it as a discrete topic.

A desirable outcome for the morning as a whole would be a shared sense among the leaders that the **process of reforming the international architecture cannot stop** after Halifax; we must work together to implement the reforms we have proposed.

Discussion:

Avoiding another Mexico: Prime Minister Dini has been asked to lead this discussion. He worked at the IMF for twenty years and was later number two at the Bank of Italy. While there is agreement on the package of financial measures generally, the G-7 finance ministries have not yet hammered out all the details of how the General Arrangements to Borrow (GAB) would actually be expanded. The intended doubling of the GAB (from \$27 billion to \$54 billion) represents the new resource available to an IMF emergency financing mechanism. It is also unclear how many additional countries beyond the G-10 will be willing to participate and on what terms. Our aims in this discussion are to endorse the financial package, state the need to **move ahead rapidly** on implementing the emergency financing mechanism, and urge leaders to prod their bureaucracies to develop appropriate international work-out procedures for sovereign debtors.

Strengthening the UN: Prime Minister Major will lead. He feels very strongly on the **need for specificity** in our proposed UN reforms, including mention of specific UN agencies whose mandates need to be reexamined or which should be candidates for consolidation or elimination. We agree. If this issue was not resolved on Thursday evening at dinner, it is a key aim for Friday morning. Kohl and Chirac are slated to follow Major; they will likely argue the inappropriateness of leaders speaking in such detail. Canada has asked you to follow Chirac.

Canada has also included debt relief for the poorest countries in this agenda item. Major leads here as well. He has for some

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time proposed selling some of the IMF's gold for this purpose. We support him, but German and Japanese resistance has been so strong it is not clear he will push very hard.

International Trade: The Canadians have indicated the speakers for this topic as "Chretien to lead, with help from Kohl and other Europeans." The "help" may include criticism of our threats to impose sanctions on Japanese autos. There may be concerns expressed about the integrity of the WTO dispute settlement mechanism and the dangers of unilateralism. Included in your materials are detailed rebuttal points that highlight your commitment to multilateralism and the threats posed to it by chronically closed markets.

There may also be some pressure exerted on you on **financial services**. Negotiations following up on the Uruguay Round are supposed to end by June 30. As of now, the commitments offered us are insufficient to justify our offering this as a sector in which we will offer most-favored-nation treatment to all other countries. You should emphasize the **importance of the G-7 continuing pressure on others to make good market access commitments**.

Environment: Kohl is to lead here, with Major following. They are the only countries likely to meet the greenhouse gas goals in the Climate Convention set for the year 2000. Ironically, our relatively rapid growth compared to the rest of the G-7 has increased our energy consumption and made the goal harder to reach. The shift in control of the Congress has produced hostility to our action plan.

If Chretien addresses the fish depletion problem, you may want to stress the importance of the UN negotiations on a binding international convention on fishing of migratory species.

Development Banks: Again, no specific agenda item has been included for this topic. If we decide to press for agreement by the G-7 to capitalize a Middle East Development Bank, we would have to find an appropriate time for raising the issue with the other leaders.

**Avoiding Another  
Mexico**

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## REFORMING THE INTERNATIONAL FINANCIAL ARCHITECTURE

### Issue:

The key results of the G-7's institutional review are a series of reforms for dealing with financial crisis and risks to the financial system. There is general agreement on proposed reforms described in the background section below. Your key points underscore the importance of pressing ahead with these reforms.

### Key Points:

- In retrospect, Mexico printed too much money and ran too large current account deficit.
- Have to encourage ourselves and others to save more. Key reason why potential for debt problems worse in Latin America than Asia.
- Very important to move forward rapidly to conclude emergency financing mechanism. Mechanism must operate rapidly without international bureaucracy.
- Crucial we explore resolving sovereign debt problems through means other than bailouts. Language in communiqué important. Have to push our people to make progress.

### Supplemental Points on Specific Reforms:

#### Early Warning and Prevention

- More effective early warning and prevention depends on improved transparency and disclosure. Allows market to discipline policy mistakes and encourage policy changes before crisis develops.
- Committed to close cooperation in economic surveillance. Need fundamental shift in IMF's approach -- focus on encouraging countries to disclose more to markets rather than concentrating on what countries disclose privately to IMF.

#### Emergency Financing Mechanism

- When we face crisis that threatens financial system, need mechanism capable of mobilizing financial assistance quickly and in force.

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- Mechanism should be surgical tool used in exceptional circumstances and only on highly conditional terms. Do not want to exacerbate "moral hazard" risks inherent in any lender of last resort arrangement.

#### Orderly Work Outs

- Reduce risk of cascading financial crises if we bring creditors together to work out orderly resolution of international debt problem.
- Emergence of pension funds, mutual funds and other investors means we can no longer bring together small group of creditors, holding bulk of country's debt, to work out solution.
- Want to see whether there is appropriate solution without making default attractive option to debtors or scaring investors away from good risks.

#### Background:

To prevent future Mexico-type crises, the G-7 will call for a number of reforms. First, to improve early warning and prevention, the G-7 will call on the IMF to **enhance its surveillance** of key financial developments. Second, to provide faster access to Fund arrangements with strong conditionality and larger up-front disbursements, the G-7 will call for the creation of a **new IMF Emergency Financing Mechanism**, based on a doubling of the amount currently available under the IMF's General Arrangements to Borrow (GAB). Third, the U.S. is pressing other G-7 Leaders to review mechanisms for bringing about the **orderly resolution** of financial crises, including the possibility of a moratorium on the repayment and rescheduling of private debt.

Fourth, the G-7 will pledge **more intensive cooperation** among their finance ministries, central banks and regulatory authorities to regulate rapidly evolving markets to improve their understanding of risks to the international financial system **and to develop new safeguards**, standards, transparency and systems to reduce those risks.

IMPROVED EARLY WARNING SYSTEM

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Issue:

The risks to the stability of the international financial system have grown with the expansion and integration of global capital markets. By enhancing our capability to identify potential trouble spots and to encourage preemptive action, we can more effectively manage those risks.

Key Points:

- In today's globalized markets, developing countries pursuing sound policies rewarded with overseas investment.
- However, markets can be equally punishing if policies go off track, which heightens potential for systemic disturbance and financial crises, e.g., Mexico.
- Points to need for increased scrutiny of country policies so mistakes corrected before they prompt massive capital flight.
- IMF surveillance process can be tightened but most importantly, private investors need much earlier, fuller disclosure of economic data to allow markets to discipline policy makers.

Background:

The proposed communiqué addresses the issue of an improved early warning system, calling for "improved and effective surveillance of national economic policies and financial market developments and fuller disclosure of this information to market participants." The specific actions, to be implemented by the International Monetary Fund, are:

- Establish benchmarks for the timely publication of key economic and financial data;
- Establish a procedure for the regular public identification of countries that comply with these benchmarks;
- Insist on full and timely reporting by member countries of a standard set of data, provide sharper policy advice to all governments and deliver candid messages to countries that appear to be avoiding necessary actions.

EMERGENCY FINANCING MECHANISM

DECLASSIFIED  
FER E.O. 13526  
2016-0136-M (1.14)  
KBH 1/22/2020

Issue:

The G-7 has agreed to a U.S.-led initiative to establish an "Emergency Financing Mechanism" (EFM) in the IMF to facilitate a more coordinated response by the multilateral institutions and major economies in the event of financial market distress. The initiative provides for more rapid access to financial assistance on conditional terms linked to an expanded General Arrangements to Borrow (GAB).<sup>1</sup>

Key Points:

- Face increased risk of financial crises with broad systemic implications.
- Stakes sufficiently high and threat to our collective interests great enough to require rapid official assistance under strict conditions, including tight control by major creditors.
- Need credible response to these risks -- better mechanism for mobilizing official assistance -- structured in way that does not encourage borrowers to avoid essential policy changes because they believe they will be bailed out in end ("moral hazard").
- Want to build on existing means of financing (the GAB), both by bringing new contributors to table and increasing own contribution.

Background:

To address Mexico-type crises in the future, the G-7 have agreed to:

- Establish a standing arrangement within the IMF that provides accelerated procedures for negotiating and obtaining board approval for large programs in crisis situations; and

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<sup>1</sup> The GAB is a financing arrangement between the G-10 (and Saudi Arabia through an associated arrangement) and the IMF under which the participants (the G-7 plus Switzerland, Belgium, Sweden and the Netherlands) agree to make loans to the IMF when supplementary resources are needed to forestall or cope with an impairment of the international monetary system. The GAB is now SDR 17 billion and the associated arrangement with Saudi Arabia is SDR 1.5 billion (totaling approximately \$27 billion at current exchange rates).

-- Double the size of the resources currently available in the GAB, from \$27 billion to \$54 billion by increasing the contributions of current GAB members and by securing commitments from other countries with a stake in the stability of the international financial system.

Many details remain to be resolved. Increased U.S. contributions to the GAB require legislative approval for budget authorization and appropriations but not outlays.

ORDERLY WORKOUT ARRANGEMENTS

DECLASSIFIED  
PER E.O. 13526  
2016-0136-M (1.15)  
KBM 1/22/2020

Issue:

We want to encourage a cautious exploration of mechanisms that might facilitate an orderly workout of international debt obligations and thus help avert a broader crisis. While we do not have a consensus on specific proposals, we have in mind a process leading to rescheduling of private debt (to complement the rescheduling of official debt through the Paris Club). Other G-7 members are generally skeptical about the feasibility of the idea, but they are prepared to explore it further.

Key Points:

- Want our finance ministers and central banks to take close look at mechanisms that might facilitate orderly workout of international debt obligations.
- In past, banks held preponderance of debt and could be brought together to discuss approach to avert default. However, new universe of creditors -- mutual and pension funds, private individuals, etc., in addition to banks -- is too numerous, often anonymous and largely indifferent to appeals about risk to the international financial system.
- Want to find way to mitigate crisis without recourse to official resources.
- Challenge is to ensure investors take some of hit, without exacerbating moral hazard risks by encouraging debtors to default.

Background:

This issue has been the topic of considerable discussion among finance deputies and their central bank counterparts. The consensus within the G-7 is that exploration of the options must continue and Leaders should not bless a specific proposal at Halifax.

Options now under consideration range from a very informal and voluntary process, which could encourage investors to accept a suspension or rescheduling of debt service payments, to a more formal mechanism, perhaps involving the imposition by the IMF of a standstill on payments, while creditors organize to try an agree on an orderly resolution of payments.

There are others who advocate more dramatic steps involving the establishment of a global bankruptcy code for sovereign governments and a bankruptcy court to administer a solution. These more ambitious proposals are opposed on several grounds. They are not considered viable from a practical standpoint given the requirement for almost universal adherence. They would give to an independent entity the authority to determine which creditors get paid. And they create unacceptable risks of encouraging default. Since countries can always raise resources through the power of taxation, making default more of a choice than it is in the private context, the bankruptcy analogy has limited value.

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UPDATE ON MEXICO'S STABILIZATION

DECLASSIFIED  
PER E.O. 13526  
2016-0134-M (1.16)  
KBH 1/22/2020

Issue:

The U.S. is engaged in a major effort to support the Mexican government's policy adjustments following the recent financial crisis. While it is still too early to reach any definite judgments, recent indications suggest our financial support program and Mexico's policy adjustments are working to bring about the country's financial stabilization.

Key Points:

- As Mexico's adjustment policies take hold, fears of sovereign default have receded and "tequila effect" on other emerging market economies have abated.
- Caution still essential, however. Mexico's finances stabilizing, but economy continues to deteriorate. Pressure on firms and Mexican people will intensify before economic growth resumes.
- Despite these concerns, Mexico's progress gives cause for optimism. Three months ago, radical change in course of policy was necessary for stabilization program to work. Now appears steadfastness and vigilance required.

Background:

A total of \$10 billion in U.S. disbursements remains outstanding under short-term and medium-term swaps. The IMF disbursed \$7.8 billion in February and another \$10 billion in Fund resources and \$10 billion in U.S. resources could become available in the second half of the year.

Consistent with our agreements, the GOM has implemented rigorous policies to reinforce the already solid fundamentals of the Mexican economy and to restore Mexico's normal access to private capital markets:

- Maintaining tight control over money and credit and has taken steps to contain the inflationary effect of the peso devaluation;
- Fiscal policy tightened to achieve a primary surplus -- results for the first quarter exceed the government's budget targets;
- Accelerating structural reforms in key sectors to increase efficiency and productivity. Improved prospects for further

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Declassify on: OADR

privatization and foreign investment in Mexico's infrastructure as necessary regulatory and legislative reforms have been approved; and

-- Improved transparency of economic policies.

These policy adjustments, combined with U.S., IMF and World Bank support, are having the desired effects. Mexico's trade balance has already moved into surplus, running a first quarter surplus of \$1.16 billion and a \$620 million surplus in April; financial markets have responded with more confidence in Mexico's economic outlook.

In addition, Mexico has made enormous progress eliminating the short-term, dollar-indexed debt that brought about the liquidity crisis, reducing the stock of outstanding tesobonos to roughly \$11.5 billion from \$29.5 billion at the end of last year. The peso has appreciated and volatility has been reduced in recent trading. Mexico's stock market has risen by 34% in peso terms or 52% in dollar terms since March 8.

Prices of the government's dollar-denominated bonds have also improved dramatically and yields have declined from highs of 30% to 12.5% at present as investors perceive less risk of default.

Mexico still faces serious medium-term and long-term challenges. The peso devaluation and its aftermath have strained Mexico's banking system. Other sectors have also been hard hit and job losses have been large.

International support can help ease the drop in Mexico's standard of living but only a resumption of economic growth will restore it over time.

**Strengthening the  
United Nations**

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REFORM OF UN ECONOMIC AND SOCIAL AGENCIES

DECLASSIFIED  
FER E.O. 13526  
2016-0134-M (1-17)  
KRM 1/22/2020

Issue:

UN economic and social agencies are overstaffed, duplicative and often lacking a clear mission. They are, on the whole, not nearly as effective nor efficient as they should be. In preparatory work for the Summit, the issue has been how specific the communiqué should be in calling for change. We, along with the UK and Canada, believe we must be as specific as possible in order to have an impact at the UN and to be credited at home.

Key Points:

- G-7 should show leadership by making concrete proposals for reform of UN economic and social agencies, just as we are doing for international financial institutions.
- Basic principles for reforming UN can be summed up in four words: streamlining and increasing accountability. UN must simplify tangled structure to reduce overhead and must develop culture of accountability in way it manages finances.
- Consolidation is key to process. At least ten UN bodies engage in development activities. Consolidating some of them, and getting others to return to original mandates, would reduce overhead and overlap.
- Must urge changes that ensure relevance and cost-effectiveness of UN institutions. Good example of agency without mission is UN Industrial Development Organization. Many observers conclude there is no longer reason for its existence.
- Clearly cannot, and should not, try to impose proposals on UN and its agencies. Must work with Secretariat and UN agencies to realize changes. But real change depends on identifying strong, concrete principles for action.
- [IF PRESSED ON U.S. ARREARS] Over last four years, U.S. has accounted for roughly third of total assessed payments made to UN for its regular budget and peacekeeping operations. Easier to maintain public support for funding if we are successful in reforming UN.

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**Background:**

The United Nations originally was expected to play a seminal role in global economic and social affairs, but it has not lived up to those expectations. The credibility of the institution and the prospects for continued willingness by taxpayers in the major donor countries to provide financial support depend upon early and visible signs of improvement. (The U.S. will probably be close to \$1 billion in arrears by the end of the year. Nonetheless, the U.S. has provided over the past four years approximately one-third of the assessed payments made to the UN for its regular budget and peacekeeping operations.)

An estimated 70% of the UN's regular budget is spent on economic and social affairs, amounting to about \$850 million annually -- with 25% or \$212 million coming from the U.S. In addition, some \$3.4 billion is provided through UN agencies and programs in grant aid for development, of which the U.S. contributes about 10% or \$350 million. These funds are used to leverage the larger additional bilateral and multilateral resources available for development.

In the context of taxpayer criticism in the major donor countries, the UN must better coordinate its programs and set stricter priorities, improve the effectiveness of the Secretariat, eliminate wasteful duplication and overlapping activity and leverage the effectiveness of UN undertakings through collaboration of effort.

International development has led to the creation of new entities but not to a sufficient re-examination of older ones. We have proposed reviewing mandates of existing entities to see if they are still relevant. We have also proposed measures to rationalize the structure of the UN Secretariat and improve its functioning. The Secretary General took some good initial steps when he assumed office, but he has not followed through very thoroughly. He now seems reluctant to risk alienating the varied constituencies with which he must deal.

There appears to be consensus that the G-7 should urge reform of the UN' economic and social structure, although there is disagreement over the appropriate level of specificity, with the U.S. and the UK urging a conc communiqué, and France, Germany and Italy preferring a more generic treat of the issue. All concur we should have some follow-up mechanism to ensure our ideas bear fruit, although there is no consensus on whether that might be a High-Level Working Group, which you proposed last fall at the UN, a G-Sherpa-level group or a "reflection group" proposed by the EU, which would include some developing countries and eminent individuals.

DEBT OF THE POOREST COUNTRIES

DECLASSIFIED  
PER E.O. 13526  
2016-0136-m (1.18)  
KBH 1/22/2020

Issue:

Many of the heavily-indebted poorest countries, despite strong economic reform efforts, are unable to repay much of their external debt. The G-7 Finance Ministries have agreed a comprehensive approach should be taken to address the debt burdens of these countries, including the substantial debt burdens to the international financial institutions (IFIs).

At Naples, creditor governments agreed to provide deeper debt reduction in the Paris Club for the poorest countries, but our ability to do more on bilateral debt is constrained by budgetary considerations. We need to preserve the possibility of mobilizing IMF gold and more concessional assistance from the IFIs (including grants), but there is no consensus at this point.

Key Points:

- Recent agreement on "Naples Terms" debt reduction was significant achievement.
- Number of poorest countries still have heavy multilateral debt burdens.
- Should ask IMF and World Bank to assist poorest countries in addressing multilateral debt burdens, both through existing measures and new mechanisms where necessary. Should include possibility of mobilizing gold by IMF and more concessional financing, including grants, by IFIs.
- Should ask Finance Ministries to follow up on this, by working with IFIs to develop specific approaches for implementation.

Background:

A number of the poorest countries have substantial debt burdens to the international financial institutions (IFIs). We have reached tentative agreement on an approach to address these multilateral debt burdens but follow-up work is required. We need to preserve the possibility of mobilizing IMF gold and more concessional assistance from the IFIs (including grants). However, there is no consensus at this point.

In December 1994, Paris Club creditor governments reached agreement on "Naples Terms," which provide up to two-thirds reduction of bilateral debt for the poorest countries. The new

terms were named after the 1994 Economic Summit in Naples, which urged the Paris Club to move to deeper debt reduction.

Although agreement on Naples Terms to address bilateral debt burdens was a significant achievement, multilateral debt burdens remain a problem for several countries. About 15 of the poorest countries have multilateral debt ratios that could be considered unsustainable.

Over the last several months the G-7 Finance Ministries have studied the problem of multilateral debt and agreed on the need for the IMF and the World Bank, also working with the regional development banks, to assist countries with multilateral debt ratios above prudent levels in addressing their debt burdens.

Further work is needed, however, and should be called for by Heads of State. The G-7, working with the IFIs, need to agree on specific benchmarks for "prudent" debt level targets and on a range of instruments within the various IFIs (e.g., increasing the concessionality of loans or providing grants) to ease debt burdens.

Besides the United States, the U.K. and Canada are the most forward leaning on the need to address multilateral debt problems. They are willing to consider measures such as IMF gold sales to provide lending on more concessional terms as well as the possibility of grants from the IFIs.

Germany and France may be open to the possibility of grants from the World Bank's International Development Association (IDA) but oppose IMF gold sales. Japan and Italy oppose IMF gold sales as well as any grants from the development banks.

Other G-7 countries are concerned we may not be able to obtain sufficient funding from Congress to fully implement Naples Terms in FY 1996. They have linked their support for debt relief for Jordan and for a Middle East development bank to our commitments on Paris Club debt relief for the poorest countries. (We have requested \$27 million for FY 1996; the current tenor within the House and Senate authorizing committees is to "cap" action for the poorest countries at \$7 million (House) or zero (Senate).



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INTERNATIONAL TRADE

DECLASSIFIED  
FER E.O. 13526  
2016-0136-M (1.19)  
KBH 1/22/2020

Issue:

The trade discussion at Halifax is likely to focus on two issues: ensuring a strong WTO and further trade liberalization. Discussion of the first issue will elicit veiled, or perhaps not so veiled, criticisms of the U.S. threat to impose trade sanctions if we cannot resolve our auto dispute with Japan on market access. Attached is a defense of the U.S. approach against the most likely allegations.

Key Points:

- Need to ensure: Uruguay Round results fully implemented, unfinished work on financial services and basic telecommunications completed and environmental work program makes progress.
- Financial services offers still not sufficient. Need to keep up pressure on key markets. Concerned about WTO's credibility if we accept deal that is indefensible at home.
- WTO credibility depends on increasing transparency of operations, selecting well-qualified Appellate Body and improving coordination with other international institutions.
- Important to maintain momentum for further trade liberalization by continuing current work on investment, standards and certification and telecom and information technology.
- Without detracting from needed work on these issues, G-7 should also explore means of shaping future trade agenda (e.g., sectors for further liberalization, as well as competition and labor issues) in run-up to first WTO Ministerial in Singapore in December 1996.

Background:

The G-7 members support a strong WTO. To enhance the credibility of the WTO, the U.S. has focused on the need for greater transparency in the WTO's operations and the appointment of a well-qualified dispute settlement Appellate Body.

Some of the G-7 may raise concerns about the U.S. position in the financial services negotiations, which they worry might weaken the WTO. By the end of June, WTO members must decide whether to

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bind themselves to providing most-favored-nations (MFN) treatment in the financial services sector. The U.S. position is that we will not grant MFN access if the market access offers made by key potential markets (e.g., India, Brazil, ASEANs, Malaysia) are insufficient. The rest of the G-7 share our concerns, but in the end they are likely to be reluctant to withhold MFN treatment, an act which they consider to undermine the multilateral trading rules.

To keep the momentum of trade liberalization, the Canadians had wanted to announce a new tariff reduction initiative at Halifax, with an eye toward defining the agenda for the first WTO Ministerial in Singapore in December 1996. Other G-7 countries were reluctant to commit to major new tariff cuts, and the U.S. argued that, as a first step, the G-7 should continue its work on the trade liberalizing measures proposed in Naples, such as the negotiation of an investment agreement, mutual recognition of standards and certification, and reduction of barriers to trade in telecommunications and information technologies. The U.S. supports further work by the G-7 on agenda for Singapore (e.g., labor, competition, sectors for liberalization), just not at the expense of the issues currently on the table.

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FINANCIAL SERVICES

DECLASSIFIED  
PER E.O. 13526

2016-0134-M (1.20)

KBH 1/22/2020

Issue:

At the end of the Uruguay Round, we persuaded our partners that further improvements in banking, securities and insurance commitments would be necessary before we could accept a WTO obligation to provide MFN treatment in this sector -- that is, to give up our option to grant greater access to the U.S. market for firms from countries that provide greater access to U.S. firms (i.e., strict reciprocity). Negotiations were extended until June 30, 1995. Major hurdles with certain important markets remain.

Key Points:

- Concerned current commitments in banking, securities and insurance do not provide adequate market access and national treatment; absent improvements, will not commit to providing MFN treatment in this sector.
- Need to keep pressure on countries to make commitments by June 30 and avoid sending signal we are prepared to settle.
- Concerned about WTO's credibility at home if we accept bad deal.

Background:

The UK and the EU may pressure you to conclude the financial services negotiations by June 30 with a commitment to provide MFN treatment. Given the quality of offers currently on the table, we want to avoid locking ourselves into providing MFN treatment. Key problem countries include Brazil, India, ASEANs, Malaysia and Korea, some of which have serious constitutional or political obstacles to opening their markets, others which could do more. The rest of the G-7 would like to see better offers but, in the end, are likely to grant MFN treatment. We need to play this negotiation down to the wire, meaning we cannot afford to give the wrong signal at the Summit about accepting what currently is on the table.

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Declassify on: OADR

## DEFENSES OF U.S. TRADE POLICY

### Issue:

Japan comes to the G-7 meeting having solicited support from other G-7 members against the U.S. policy on autos and auto parts. While all of our trading partners concede that Japan's market is not open in this sector, there is a chance that other G-7 leaders may criticize the U.S. action as evidence of a lack of U.S. commitment to multilateral trading rules, the WTO and its dispute settlement process, and a preference for unilateralism and managed trade. The Europeans are particularly concerned any U.S.-Japan deal (e.g., on voluntary parts purchasing plans) could disadvantage their producers. Below are the most likely allegations that might be raised and proposed responses.

### Key Points:

**The U.S. Section 301 action undermines the multilateral trading system and is inconsistent with our WTO obligations.**

- No one is more personally committed to multilateral system and cause of free trade than I am. Pressed hard to bring 7-year long Uruguay Round to close and secured its approval in Congress.
- But must keep our eye on real issue here -- purpose of WTO -- which is to open markets.
- Most serious threats to multilateral trading system are sustained current account surpluses and closed markets. No country disputes Japan has very closed market.
- Barriers to competition in Japan's market hurt not only foreign producers but also Japanese consumers. An Acura LS sells for \$9,000 more in Japan than in U.S. Shock absorbers cost \$200 in U.S., but \$600 in Japan. Alternators cost five times more in Japan than in U.S.
- Negotiated in good faith for more than 20 months, but little movement forward. Had no choice but to move forward with two-tracks -- WTO case and Section 301 action.
- Best way to resolve is through negotiated solution that opens Japan's markets. Avoid retaliation -- and promotes free trade, real purpose of multilateral trading system. But in absence of negotiated solution, will proceed with sanctions.

**American auto manufacturers have simply not made sufficient efforts to make their products competitive in the Japanese market.**

- Our auto parts producers extremely competitive. Have \$5 billion auto trade surplus in rest of the world -- where we compete head-to-head with Japan -- but a \$12 billion auto trade deficit with Japan.
- Big Three extremely competitive; rebuilt themselves as world-class competitors.
- Have 24% market share in Europe, compared with 1.5% market share in Japan.
- Invested \$117 billion in the past five years in plant & equipment, research & development and workforce training.
- Invested hundreds of millions of dollars in expanding distribution, service and marketing operations in Japan and designing cars for Japanese market.
- If that's not enough, fall in dollar has increased price competitiveness by more than 25% in last two years alone.
- U.S. automakers significantly lowered prices of many of their vehicles in Japan to make them extremely cost competitive.
- Chrysler selling right-hand drive version of its popular Jeep Cherokee in Japan, specifically tailored for Japanese consumers; plans several additional right-hand drive cars shortly.
- Ford introduced right-hand drive Probe and Mondeo in Japan and will soon introduce right-hand drive versions of its Taurus and Explorer soon.
- General Motors sells right-hand drive Opels in Japan; preparing other U.S.-built, right-hand drive products, including Saturn, for Japanese market over next few years.

**Japan is open to foreign competition. Witness the success of European automakers.**

- Europeans can't get fair access either. European manufacturers combined have only 2.8% market share in Japan. Their sales have declined since 1990.

- European Business Council (EBC) estimates that if Japanese market was truly open, European producers would have 10% market share -- almost four times current level.
- For that reason EBC called on Japanese Government "to acknowledge, as desirable political objective, 10% net importers' share in the Japanese auto market by year 2000...as signal of change and intent."

**U.S. demands for voluntary plans are tantamount to managed trade.**

- Seek to unmanage trade, not manage it. Japanese auto sector one of most highly managed and regulated industries in world. Seek comprehensive deregulation and increased competition so that market forces can work.
- In Japan, original equipment auto parts market is dominated by keiretsu (interlocking relationships between manufacturers, suppliers, distributors and financial institutions), which limit competition by freezing out competitive foreign auto parts firms.
- Put forward proposal of voluntary plans, which Japanese auto companies issued in 1990 and 1992, because voluntary initiatives achieved some success in addressing problem. We remain flexible on specifics of plan.
- Japanese rejected our proposal but have not put forward single counterproposal.
- Other countries have no standing to criticize. EU simply limits Japanese imports to market share of 11% through 1999. Foreign share of U.S. market is more than 30%, 24% by Japan alone.
- Difference is U.S. seeks to level playing field not by closing markets, as Europeans have done, but by opening markets -- for all foreign producers.



**Development  
Banks**

STATE

FEDERAL RESERVE

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ENVIRONMENT

DECLASSIFIED  
FER E.O. 13526

2016-0136-M (1.21)  
KBM 1/22/2020

Issue:

Protecting the global environment is vital to our national security. In the next year, we must focus on two critical issues: negotiating next steps under the Climate Convention and taking action to preserve world fish stocks.

CLIMATE CHANGE

Key Points:

- Applaud outcome of Berlin Conference in April and role of Chancellor Kohl in making Conference success.
- Scientific consensus climate change serious, long-term problem. Buildup of greenhouse gases threatens health of planet and well-being of grandchildren.
- Goal of Climate Convention -- to return greenhouse gases emissions to 1990 levels by year 2000 -- is greater challenge than originally thought.
- Emission levels depend on underlying economic factors (such as GDP, energy prices) that are difficult to predict beyond short-term. Complicates planning and makes meeting goals difficult.
- Notwithstanding short-term problems, G-7 must solve climate-change problems in years ahead. This will require technological innovation and other long-term solutions. Requires broad involvement of global community.

Background:

All members of the G-7 (and more than 120 other countries) are Parties to the Framework Convention on Climate Change. Under the terms of the "Berlin Mandate," signed in April, negotiations on next steps under the Convention will begin later this summer.

The Climate Convention sets forth a goal for developed countries: to return greenhouse gas emissions to 1990 levels by the year 2000. Of the G-7 countries, only Great Britain and Germany are likely to meet this goal. Great Britain's emissions are expected to drop because subsidies are ending for its coal industry. Germany's emissions are lower largely because of the collapse of the East German economy (emissions in the former West Germany are expected to be slightly higher in 2000 than in 1990).

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The United States is having difficulty meeting the year 2000 goal, despite our Climate Change Action Plan. In part, this is because economic growth has been faster than predicted and energy prices have been lower than predicted. The hostility of Hill Republicans toward many parts of our Climate Change Action Plan will make meeting our goal even more difficult.

**FISH**

**Key Points:**

- Cannot stand by while one of world's vital natural resources threatened with depletion.
- Exhaustion of world fisheries threatens health and welfare of peoples. Seafood is leading source of animal protein in world. Worldwide, 200 million people rely on fishing for livelihood.
- Leadership of G-7 will be critical during next year in work launched by United Nations. Requires enforcement regimes that protect fisheries and allow for sustainable use.

**Background:**

During the past several years, world fisheries have declined precipitously. This is largely the result of overfishing. The UN estimates that catches have fallen in all but two of the world's 15 fisheries; in four of them, they have shrunk by more than 30%. The recent skirmish between Canada and Spain over halibut fishing in the Atlantic demonstrates the potential for serious conflict over fisheries.

UN-sponsored negotiations are underway on a binding international convention on conservation of certain migratory fish stocks. In these negotiations, the US has joined Canada in seeking a strong enforcement regime. To date, the European Union has not accepted these strong enforcement provisions, which we believe are necessary for an effective international regime.

The UN Commission on Sustainable Development (CSD) will focus on fisheries at its 1996 annual meeting.

REVIEW OF 1992 RIO EARTH SUMMIT

Issue:

Maintain a strong G-7 focus on those global environmental problems highlighted at the 1992 United Nations Conference on Environment and Development (UNCED -- the 1992 Rio Earth Summit) -- especially on climate change, bio-diversity and forest issues.

Key Points:

- Environment key issue for G-7 since 1989 Paris Summit.
- Halifax Summit should reinforce efforts made over the past few years on international environmental issues, including conventions on climate change and bio-diversity and forest issues.
- Climate Change: Want to encourage all developed countries to return greenhouse gas emissions (GHG) to their 1990 levels by the year 2000.
- Bio-diversity: Working through wide range of multilateral and bilateral mechanisms to address bio-diversity issues. (We are only G-7 country that has yet to ratify the bio-diversity treaty.)
- Forests: Support efforts undertaken by UN Commission on Sustainable Development to develop proposals on sustainable management and conservation of forests.
- Other Issues: Support efforts to deal with transboundary problems posed by persistent organic pollutants such as PCBs and toxic pesticides and need to encourage greater "greening" of lending policies of multilateral development banks.

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BILATERAL AID

DECLASSIFIED  
FER E.O. 13526

2014-0136-M (1.23)  
KBN 1/22/2020

Issue:

The French have traditionally pushed for commitments to increase long-term bilateral aid, especially to "poorest" countries, many of which are former French colonies in Africa. This year especially, we are in no position to make commitments to maintain or increase bilateral aid.

Key Points:

- No one should doubt my commitment to continuing American tradition of providing generous development aid.
- Cannot commit United States to any increase in development assistance or to any multi-year "contract" to maintain current levels.
- Requested \$14.8 billion for total foreign aid for FY 1996, a slight increase over FY 1995. Vowed to veto Congressional action that would reduce this number.
- In current budget climate, we must make cuts across the board; bilateral aid programs will face their share.
- We are not alone in facing budget stringencies; this is common problem in developed world.

Background:

The OECD reports the U.S. trails most developed countries (and all of the G-7) in its ratio of official development aid (ODA) to GDP; U.S. ODA is about 0.19% of GDP. (Comparable G-7 figures range from 0.26% for Japan to 0.63% for France.) Most recent OECD figures (1993) show the U.S. has dropped behind Japan to become number two in total ODA: Japan contributed \$11.26 billion, while the U.S. total was \$9.72 billion. We have argued these figures are distorted; there is some controversy over how the OECD defines official development aid. Nevertheless, they have gained broad currency. (We have also argued that much Japanese ODA is tied aid, although the Japanese deny this.)

Of this year's \$11.6 billion in non-military aid, \$2 billion went to Egypt and Israel in the form of Economic Support Funds. Of the remainder, \$1.2 billion went to Africa; \$1.2 billion to Central Europe, Russia and the NIS; \$672 million to Asia and remaining Middle Eastern countries; and \$740 million to Latin America and the Caribbean. (The rest went to multilateral

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Declassify on: OADR

institutions and to global aid programs such as the Trade Development Agency.)

The House has just passed a foreign aid bill that would cut total aid by \$3 billion over two years. Of that, Egypt and Israel would retain their current aid levels, leaving about 25 percent less for the rest of the world. We are still analyzing the impact of a number of last-minute amendments.

You have vowed to veto the bill as a whole, noting that "it would take us in an isolationalist direction at a time when America is ready to lead the world."

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MIDDLE EAST DEVELOPMENT BANK

DECLASSIFIED  
PER E.O. 13526

2016-0136-M (1.24)  
KBH 1/22/2020

Issue:

We have proposed creation of a Middle East Development Bank. The EU has resisted, offering a much more limited proposal to use existing aid money and existing institutions.

We proposed a free-standing institution with its own capital base and a variety of financial instruments at its disposal. We see its primary role as attracting private capital to long-term investments in the region, particularly cross-border infrastructure projects that would be a visible expression of peace and cooperation. We do not see the institution as a source of concessional money for governments (soft loans). The EU continues to push for an institution that would be well short of a Bank -- mainly a talk shop and coordinator of existing aid flows. This would not address the real needs of the region, political or economic.

Key Points:

- Envisage independent Bank that is cost effective and capable of mobilizing private funds for long-term investments region badly needs.
- Bank builds foundation for future. Creates focal point for private sector activity. Regional projects would be financed by regional people with regional money.
- Unlike EU's proposal (coordinator of existing aid flows), Bank would be self-sustaining and not require annual appropriations.
- Bank would operate on market principles and maintain "business" mentality. Over time, Bank will be less expensive.
- Financially competitive, cooperative Bank would spur international financial institutions and catalyze regional private finance. Indeed, mere suggestion of Mid-East Bank fostered accelerated activity at World Bank.

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Declassify on: OADR

WORLD BANK AND REGIONAL DEVELOPMENT BANK REFORM

Issue:

The G-7 are agreed on a set of reforms for the multilateral development banks (MDBs). We have pushed this for the past two years, including in the areas of environmental protection, health care, primary education and support for the private sector.

Key Points:

- Want to remain fully engaged in MDBs (including the International Development Association), and my Administration will do all possible to fund its commitments to banks.
- At same time, MDBs must demonstrate ability to respond effectively to needs of member countries.
- Must strengthen efforts in poverty reduction, private sector development, health care, primary education and environmental protection.

Background:

The MDBs lend over \$40 billion annually and are increasingly important instruments of donor country economic policy.

The United States has successfully led efforts in the World Bank and the regional development banks to improve MDB performance. All of the MDBs are now pursuing programs to improve project performance and maximize the development impact of their operations. Environmental procedures have been strengthened and more open public information policies adopted. The MDBs are also moving to reduce their administrative budgets.

There is a broad G-7 consensus the MDBs are more important than ever given tightening budgetary constraints on bilateral assistance and the major development challenges (e.g., in Africa and the Former Soviet Union) still confronting the global economy. However, there is major G-7 concern that the U.S. Congress will drastically curb U.S. participation in the MDBs, particularly in the area of concessional lending (versus market rate lending), on which the poorest countries rely.

Against the background of the reforms already underway, as well as the relatively good performance of the MDB system over time, the G-7 agree there is little justification for major or radical systemic changes. At the same time, the G-7 are supportive of steps to further strengthen the MDBs:

- (1) MDB lending should complement, not duplicate other financing sources. MDBs should encourage, and not substitute for, the private sector's increasing capacity to provide services previously provided by governments (e.g., power, roads) The banks should help to cultivate the private sector in developing countries, catalyze the flow of additional private capital and move out of their traditional lending to state-owned public sector enterprises.
- (2) MDB lending should concentrate on areas that other sources cannot finance. It is essential that the MDBs narrow their focus on those circumstances where private sector engagement is unlikely to materialize (e.g., primary education, health care) particularly in the poorest countries;
- (3) Greater selectivity is needed in the provision of concessional financing. Tightening budget constraints in the donor countries virtually ensures a reduction in new commitments for MDB concessional programs. Priority should be the poorest countries where governments are demonstrating commitment to the sound economic policies.
- (4) The institutions must press vigorously ahead to improve project quality and development effectiveness. The MDBs need to ensure "lessons of experience" are integral to project formulation and implementation. The emergence of a new institutional "culture" focused more on results than commitments are part of a longer-term process of reform.
- (5) Overlap among the institutions should be reduced. Coordination between the World Bank and the regional development banks should be improved.

U.S. PARTICIPATION IN THE INTERNATIONAL DEVELOPMENT ASSOCIATION

Issue:

G-7 countries are very concerned about Congressional efforts to sharply reduce payments on existing U.S. commitments to the International Development Association (IDA) and to stop U.S. participation in any new IDA funding agreement.

Key Points:

- I strongly oppose efforts in the Congress to end U.S. participation in IDA.
- IDA important to poorest countries, particularly those in Africa, and United States wants to support IDA's development efforts.
- Funding for IDA and other multilateral development banks remains top priority throughout budget process.

Background:

The IDA -- the World Bank affiliate which lends to the poorest countries on concessional terms -- is a major target of the Congress. Even though IDA has a long history of bipartisan support (the current U.S. funding commitment to IDA 10 was personally decided by President Bush), the Republicans appear determined to preclude U.S. participation in the new IDA replenishment (IDA 11), which more than thirty donors are now negotiating.

The current IDA replenishment (IDA 10) envisioned a total U.S. commitment of \$1.25 billion a year for three years, i.e., a total commitment of \$3.75 billion. The U.S. share is 20.86 percent. We still owe \$1.6 billion.

G-7 Shares of IDA 10

United States	20.90 percent
Japan	20.00 percent
Germany	11.00 percent
France	7.30 percent
United Kingdom	6.15 percent
Italy	5.30 percent
Canada	4.00 percent

DECLASSIFIED  
PER E.O. 13526  
2016-0136-M (1.26)  
KBH 1/22/2020

# MIR MARKER

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Folder Title: The Participation of President Clinton at the Halifax Economic Summit, June 15-17, 1995 [Briefing Book] [2]				
Staff Office-Individual: Executive Secretary				
Original OA/ID Number: 2586				
Row:	Section:	Shelf:	Position:	Stack:
35	2	10	1	v

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
<del>001. paper</del>	<del>Friday G 7 Working Lunch (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>002. paper</del>	<del>Chornobyl (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>003. paper</del>	<del>Economies in Transition: New Independent States (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>004. paper</del>	<del>Lead Intervention: Terrorism and International Crime (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>005. paper</del>	<del>Financial Action Task Force: Money Laundering (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>006. paper</del>	<del>Iran (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>007. paper</del>	<del>Friday G 7 Plenary Session (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>008. paper</del>	<del>Lead Intervention: Russia (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>009. paper</del>	<del>Russia Economic Situation (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>010. paper</del>	<del>Nonproliferation (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>011. paper</del>	<del>Bilateral Nuclear Safety Program with Russia (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>012. paper</del>	<del>Pipeline Issues (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>013. paper</del>	<del>Friday P 8 Working Dinner (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>

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The Participation of President Clinton at the Halifax Economic Summit, June 15-17,  
1995 [Briefing Book] [2]

2016-0136-M  
kh1786

**RESTRICTION CODES**

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

- P1 National Security Classified Information [(a)(1) of the PRA]
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- PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
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# Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
<del>014. paper</del>	<del>Saturday P-8 Sessions (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>015. paper</del>	<del>Bosnia (3 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>016. paper</del>	<del>European Security (2 pages)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>017. paper</del>	<del>Saturday P-8 Lunch (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
<del>018. paper</del>	<del>United Nations Reform Discussions with Russia (1 page)</del>	<del>06/00/1995</del>	<del>P1/b(1) KBH 4/30/2020</del>
019. report	Halifax Summit (3 pages) <i>Partial release - KBH 9/8/2017</i>	06/00/1995	P1/b(1)
020. report	Biography (2 pages)	06/06/1995	P1/b(1)
021. report	Biography (2 pages)	06/06/1995	P1/b(1)
022. report	Biography (2 pages)	06/06/1995	P1/b(1)
023. report	Biography (2 pages) <i>Partial release - KBH 9/8/2017</i>	06/06/1995	P1/b(1)
024. report	Biography (2 pages) <i>Partial release - KBH 9/8/2017</i>	06/05/1995	P1/b(1)
025. report	Biography (2 pages) <i>Partial release - KBH 9/8/2017</i>	05/25/1995	P1/b(1)
026. report	Biography (2 pages)	06/06/1995	P1/b(1)

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
027. report	Biography (1 page)	05/23/1995	P1/b(1)
028. report	Biography (2 pages)	06/05/1995	P1/b(1)
029. report	Biography (2 pages) <i>Partial release - KBH 9/8/2017</i>	06/05/1995	P1/b(1)
030. report	Biography (2 pages) <i>Partial release - KBH 9/8/2017</i>	06/06/1995	P1/b(1)
031. report	Biography (2 pages)	05/19/1995	P1/b(1)
032. report	Biography (2 pages)	06/05/1995	P1/b(1)
033. report	Biography (2 pages)	06/06/1995	P1/b(1)
034. report	Biography (2 pages)	06/02/1995	P1/b(1)
035. report	Biography (2 pages) <i>Partial release - KBH 9/8/2017</i>	06/05/1995	P1/b(1)
036. report	Biography (2 pages)	05/22/1995	P1/b(1)
037. report	Biography (2 pages)	06/06/1995	P1/b(1)
038. report	Biography (2 pages)	06/06/1995	P1/b(1)
039. report	Biography (2 pages)	06/05/1995	P1/b(1)

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2016-0136-M  
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040. report	Biography (2 pages)	06/06/1995	P1/b(1)
041. report	Biography (2 pages)	06/06/1995	P1/b(1)
042. report	Biography (2 pages)	05/18/1995	P1/b(1)
043. report	Biography (2 pages) <i>Partial release - KBH 9/8/2017</i>	05/18/1995	P1/b(1)

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**FRIDAY G-7  
WORKING LUNCH**

**STATE**

**LEGISLATIVE SESSION**

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FRIDAY G-7 WORKING LUNCH

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PER E.O. 13526  
2016-0136-M (1.27)  
KBH 1/22/2020

Scene:

Canada has proposed two topics for this lunch -- Chernobyl and Terrorism & Crime. You have been asked by Chretien to begin the discussion on Terrorism & Crime.

Discussion:

Terrorism & Crime: Your lead in this discussion should convey to the rest of the leaders your sense of urgency on these issues. You should solicit their help in prodding law enforcement agencies to overcome their inertia and isolation. You can emphasize that terrorists and criminals are now cooperating globally, and we must respond globally through cooperative efforts. You should also emphasize we must stand together in pressing uncooperative countries to stop harboring terrorists and other international criminals.

France, Germany and Japan were skeptical during sherpa sessions about initiatives on crime or terrorism, and Murayama's comment after your introduction may reflect this feeling. There is a sense we are a bit too insistent on our way of doing things (whether it be wiretapping guidelines or extradition methods), and thus a reluctance to agree even to general statements for fear we will interpret them as creating particular commitments for the other countries. There is also bureaucratic resistance among the law enforcement agencies of these countries to doing anything different from their way.

You can assuage these concerns somewhat by stressing we will all suffer if we do not cooperate, and you do not mean to prescribe any specific measure on any of partners. Your interest is in galvanizing processes of cooperation and mutual action.

Chernobyl: Closure of Chernobyl is very important to the Europeans, in roughly direct proportion to their geographic proximity to Ukraine. Kohl and Chirac -- the two designated speakers -- will doubtless reflect this urgency.

Kuchma has promised to close the reactor by the end of the decade, but also has requested billions in assistance for both closure and new energy sources. The Summit does not come at an opportune time for moving this issue forward, since we do not yet have the results of an in-depth analysis of Ukraine's real energy

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needs. Also, of course, mobilizing additional grant resources will be very difficult.

Our objectives in this discussion are twofold: (1) avoiding any commitments for further assistance until we have more information, particularly on non-nuclear options, which the World Bank might help finance, and (2) arguing against any linkage between plans to close Chernobyl and balance of payments or non-nuclear assistance for Ukraine. As to the latter point, Kuchma has far exceeded expectations in pursuing economic reform, and his efforts should be supported as best we can.

**Chornobyl**

CHORNOBYL

CHORNOBYL

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CHORNOBYL

DECLASSIFIED  
FER E.O. 13526

2016-0136-17 (1.28)  
KBH 1/22/2020

Issue:

The G-7 wants President Kuchma to stand by his commitment to close Chornobyl in 1999. However, his bid for \$3.1 billion in Western aid for a gas plant to replace Chornobyl is unrealistic. We need to respond with a comprehensive plan for the entire Ukrainian energy sector but do not yet have the economic and technical data.

Key Points:

- Kuchma's commitment is clear progress, but any new offer should take into account entire energy sector and commit Ukraine to restructure the sector effectively.
- Opportunity for new contributions severely limited, given budget constraints. Should focus on mobilizing new funds for energy sector reform. Small, new plant may make sense. European G-7 members could urge Ukraine to take advantage of EU's offer to help complete newer reactors.
- If G-7 wants Ukraine to see Chornobyl as part of larger problem, must treat it that way. Linking support or approval of loans to Chornobyl closure impedes Ukraine's ability to address issue.
- Social costs cannot be financed by loans; have to address in context of overall solution. Initiating technical assistance in July to manage social safety net problems.

Background:

In May, Ukrainian negotiators elaborated on President Kuchma's commitment to close Chornobyl by 1999. In return for closure, Ukraine wants Western help in four areas: replacement power, storage facilities for spent fuel/nuclear waste, social costs (finding Chornobyl workers new jobs) and a new sarcophagus over the destroyed Unit 4.

To provide replacement power, a new sarcophagus and to help with social safety net needs, Ukraine seeks \$3.1 billion in grants to construct a large gas-fired generating plant near Chornobyl and to provide a decade's worth of fuel. The G-7 has promised to respond in July, when the European Bank for Reconstruction and Development (EBRD) analysis of how to meet Ukraine's energy needs at the least overall cost will be complete. Our preliminary conclusion is this large, new plant is unwarranted and that Ukraine's projection of its energy needs is inflated.

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Ukraine has so far treated Chornobyl in isolation from other energy-sector measures; we need to convince Ukrainians restructuring the sector will help meet the needs created by Chornobyl closure, including social costs. It is far from clear that replacement of Chornobyl's generating capacity is even necessary given projected reforms and overall economic trends, although the Banks do not rule out a much smaller new plant might make economic sense in that region. We also need to help Ukraine understand it should separate Chornobyl social cost problems from its energy problems.

#### **G-7 Pledges at Naples: Status**

Of the \$200 million pledged to Ukraine at Naples, \$143 million has been committed to the Nuclear Safety Account at the EBRD; \$15.9 million into bilateral projects; \$41.1 million remains uncommitted. Of the U.S. pledge of \$38 million for FY 95-96, \$20 million has been pledged for the Nuclear Safety Account and \$18 million for bilateral projects; none remains uncommitted. In Kiev, you announced our offer of assistance in establishing a Nuclear Safety and Environmental Center near Chornobyl and in completing short-term safety measures at Chornobyl.

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ECONOMIES IN TRANSITION  
New Independent States

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FER E.O. 13526  
2014-0136-M (1.29)  
KBM 1/22/2020

Issue:

We want to secure continued international support for Ukraine's economic reform agenda, particularly for the energy sector. We should also encourage Russia to continue implementation of its economic reform program.

Key Points:

- Ukraine making good progress on economic reform. Strong international support ensures success of program.
- Want World Bank to play strong leadership role in energy sector reform in Ukraine, doing even more than in past.
  - Given Ukraine's inefficient use of energy and dependency on imported fuel, this is area where international assistance can have dramatic impact.
  - Would complement efforts to close Chornobyl.
- Russia has done much to build market economy. Should encourage Yeltsin to continue implementation of economic reform program.

Background:

Halifax is an excellent opportunity to secure continued international support for Ukraine's economic reform agenda, building upon a key theme of your visit to Kiev on May 11-12. We do not expect Russian economic issues to be major topics at the Halifax, but we want to encourage Russia to continue implementation of its IMF-backed economic reform program.

Ukraine: President Kuchma has made a decisive start implementing comprehensive economic reform measures. The outlook in 1995 is much brighter than it was for 1994, when the official economy shrank 23%. Building on the reform program launched in October, Kiev announced a mass privatization program in January. In April the IMF approved \$1.9 billion in new financing for Ukraine, requiring tight fiscal discipline, trade liberalization and elimination of most remaining price controls. The economy is showing signs of improvement -- inflation is falling, the exchange rate is stable and capital inflows are

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growing. Exports in some sectors have increased, and industrial production increased in the first quarter.

Most Ukrainians approve of President Kuchma's handling of the economy. Nonetheless, given the magnitude of Ukraine's problems, more shocks and some backtracking continue to be risks. Strong international support will facilitate this difficult transition and provide Kuchma's program additional credibility with the parliament and public.

Russia: Russia has come a long way in building a market economy. Following setbacks last fall, including the ruble's sharp fall in October, Russia renewed its commitment to reform with a strong 1995 economic program backed by a \$6.8 billion IMF standby loan. The GOR successfully passed its first monthly review of progress under the IMF loan in late May, and the IMF released a second tranche of \$550 million. Monthly inflation is down, and the exchange rate has stabilized. The decline in production has slowed, if not yet reversed. Real income is up 33% from 1992, even though real wages continue to decline -- another sign of Russian restructuring since more than 40% of income is now derived from entrepreneurial activity. Russia still has hard work to do to build the legal and institutional frameworks for a market economy, which are necessary to improve the investment climate.

At Halifax, the Russians are interested in aspects of the international institutions review and may ask about an increase in SDR allocations. We support a limited increase (which would benefit Russia), but this is being blocked by developing countries seeking a large allocation. Russia is meeting with the Paris Club in early June to discuss rescheduling 1995 obligations. At the Moscow summit, Secretary Rubin said we would work for a deep 1995 rescheduling and try to include a goodwill clause "stipulating that if Russia met the conditionality of its IMF standby program, negotiations could begin as early as this fall on a comprehensive debt rescheduling." The Russians are interested in joining the Paris Club as creditors. The Paris Club has repeated its willingness to explore the question of Russian participation.

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**Terrorism and  
Crime**

AGENDA SESSION

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LEAD INTERVENTION:  
TERRORISM AND INTERNATIONAL CRIME

DECLASSIFIED  
PER E.O. 13526

2016-0136-M (1.30)  
KBH 1/22/2020

Key Points:

- Terrorism and international organized crime two of most pressing new challenges we face.
- Represent darker side of global integration. Better transportation and communication, electronic funds transfers, and reduction of trade barriers not only promote legitimate commerce and economic growth. They also facilitate illegal activities.
- Incidents from Tokyo to Oklahoma City show terrorism can strike at very core of our peoples' sense of security.
- Slow to recognize ways organized crime has become international problem:
  - International crime groups formed links across national boundaries, involving themselves in everything from drug trafficking to alien smuggling to money laundering to arms trafficking.
  - Organized groups such as Cali Cartel subvert governments and economies through intimidation and corruption, threatening very stability of countries
- Two problems of terrorism and organized crime could converge in frightening way if criminals able to succeed in smuggling nuclear materials to terrorist groups and states.
- We are all trying to deal with these problems. But can't deal with them alone. Criminals and terrorists organizing themselves internationally. We must too.
- Passed crime bill in United States last year. Proposed legislation this year to strengthen ability to fight terrorism. Good pieces of legislation, but won't do job without international cooperation.
- Our law enforcement agencies already cooperate in many ways. But they have not nearly exhausted possibilities
- Tendency of all law enforcement agencies is to believe they're doing everything possible. Let's make sure experts' group on international organized crime we're agreeing to in

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the communiqué really sets to work finding new ways for us to cooperate on:

- assisting other nations in fighting crime.
- expanding exchanges of information among our law enforcement authorities.
- working together to ensure there is nowhere for these criminals or terrorists to hide.
- Along with Russians, we have had for some time functioning terrorism experts' group -- advanced our cooperation. Must instruct them to redouble efforts to work out specific means for further cooperation, such as:
  - creating system for international "most wanted" list.
  - recommendations for strengthening ability to prevent fund raising terrorist organizations.
  - promoting research on new technologies to deter, detect and prevent terrorist acts.
- At political level, must be tougher on countries like Iran that sponsor and finance terrorism around world.
- Problems will not be solved with one agreement or some new organization. Will be long struggle. But must provide political momentum and energy to our law enforcers and to rest of world to give us best chance of succeeding.

FINANCIAL ACTION TASK FORCE: MONEY LAUNDERING

Issue:

By gaining control of financial institutions and legitimate businesses, transnational criminal groups frustrate efforts of individual nations and subvert global financial systems for criminal purposes. This problem and the G-7 Financial Action Task Force's (FATF) initiatives to combat money laundering should be highlighted at the Summit.

Key Points:

- Governments must work together to broaden cooperation between law enforcement and financial regulatory agencies.
- Should encourage our governments to adhere to and implement recommendations of (FATF) to combat laundering of all criminal proceeds.

Background:

To evade laws enacted by developed countries, money launderers have moved their operations to less developed countries, offshore havens and non-bank financial institutions. Use of the wire transfer system has increased. The proceeds of all serious crime, not just narcotics trafficking, are laundered. Criminal/money launderer involvement in legitimate commerce (e.g., through control of banks and other businesses) threatens the integrity of governments and the global financial system.

Financial Action Task Force (FATF): Instituted by the 1989 G-7, includes 24 OECD countries [except Mexico], Hong Kong and Singapore and the European Commission and the Gulf Cooperation Council. To combat money laundering in all its forms, FATF proposed 40 recommendations, including changes in the content of wire transfer messages, legal measures, financial system reforms, international cooperation, expanding predicate crimes for money laundering, controlling shell corporations. FATF has spread its anti-money-laundering message to non-members in Asia, Africa, the Caribbean, Latin America and East Europe. As a result of these efforts, non-FATF countries have endorsed the FATF recommendations or have changed their laws to reflect FATF's anti-money laundering goals. By June 1995, FATF will conclude a mutual evaluation of each FATF member's progress in implementing the 40 recommendations.

IRAN

DECLASSIFIED  
PER E.O. 13526  
2016-0136-M (1.32)  
KBH 1/22/2020

Issue:

Create a stronger consensus for containment of Iran's unacceptable behavior.

Key Points:

- Should demonstrate through summit declaration that we condemn Iran's support for terrorism and Tehran's pursuit of nuclear weapons.
- New U.S. embargo reflects seriousness of our growing concern with Iran's actions.
- We should encourage Russia to avoid nuclear cooperation with Iran.

Background:

Iran continues to supply weapons, training and more than \$100 million a year to groups like Hizballah, Palestinian Islamic Jihad (PIJ), the PFLP-GC and HAMAS. Recent attacks include an April 9 PIJ suicide bomb in Gaza (eight killed); the January 22 PIJ double suicide bombings in Beit Lid, Israel (twenty-one killed); and an October 1994 HAMAS suicide bombing on a Tel Aviv city bus (twenty-two killed). Hizballah attacks on Israeli troops in southern Lebanon continue. Iran also continues its pursuit of weapons of mass destruction, a longer-term but very serious threat to all.

The Administration and Congress have come to the view that these Iranian policies make it inappropriate to continue trading with Tehran. Our new embargo deprives the allies of their argument that we pushed for multilateral pressure against Iran in selected areas while engaging in extensive trade ourselves.

We want others to take steps to restrict trade with Iran, particularly concessional financing and credits. Tehran will surely trumpet any perceived G-7 disunity on Iran. At a minimum, we ask that:

- Our partners discourage their companies from moving in to the Iranian markets and oil-lifting contracts American firms are now abandoning;
- All of Iran's trading partners find ways to reduce their imports of Iranian oil; and

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-- Iran receive no new official credits or guarantees until it changes its dangerous behavior.

All of the allies claim they share our concerns with Iran's behavior, but most argue our policy of pressure weakens so-called moderates in the regime. In our view, only multilateral pressure will give Iran a reason to change its behavior. We do not oppose dialogue, but Tehran has proven it will ignore any dialogue that is not accompanied by pressure.

Most of the G-7 have made it clear they will not emulate our decision to end our trade with Iran. However, there are signs that our sanctions are deterring some -- including Germany and Japan -- from providing further credit and aid.

Since the March 15 Executive Order forcing Conoco to drop an oil development contract with Iran, the French firm TOTAL has been working hard to win the deal. We have asked the GOF to lean on TOTAL to kill the project.

The Chairman's statement after Saturday's meeting with Yeltsin will include language opposing nuclear cooperation that enhances Tehran's potential weapons capability and we are working with Chretien on a statement he will make at the press conference which goes further toward condemning all nuclear cooperation. All of the Nuclear Suppliers Group (NSG) countries, except for Russia, have chosen not to engage in nuclear cooperation with Iran. (China, not an NSG member, also cooperates with Tehran). We would like all of the G-7 states to reassure Russia that it would not take the Bushehr contract if Moscow were to drop it.

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**FRIDAY G-7**  
**PLENARY SESSION**

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FRIDAY G-7 PLENARY SESSION

DECLASSIFIED  
PER E.O. 13526

2016-0136-M (1.33)  
KBH 1/22/2020

Scene:

At the Friday afternoon plenary session the leaders will be joined by the Foreign Affairs and Finance Ministers for a discussion of Russia. **Prime Minister Chretien has asked you to lead, with Kohl to follow. Chretien is interested in a discussion of Yeltsin's prospects, the impact of Chechnya, and economic reform.** He also will likely want to discuss how to pursue discussions with Yeltsin when the latter arrives for dinner later on Friday. The attached points for your intervention touch on the issues identified by Canada.

The afternoon session will also include approval of the communique language, as this is the last G-7 session.

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PER E.O. 13526  
2016-01326-M (1.34)  
KBH 1/22/2020

LEAD INTERVENTION: RUSSIA

Yeltsin

- Found Yeltsin strong, focused, in command of brief in May.
- Yeltsin, others assure us parliamentary and presidential elections will go ahead as scheduled.
- Yeltsin clearly keeping option open to run in 1996.
  - Chernomyrdin decision not to run strong signal Yeltsin thinking of doing so.
- Yeltsin popularity low, but few Russian politicians register high in surveys. Impossible to predict what will happen.
- U.S. will continue contacts with broad political spectrum, engage Yeltsin as Russia's democratically-elected President.

Chechnya

- Despite good May 25 meeting of Russian and Chechen representatives under OSCE auspices, no second meeting yet. Russians continue military offensive, appear bent on military solution.
- Need to press Yeltsin to conclude cease-fire, pursue negotiated settlement, take advantage of OSCE mission.
- Underscore to Yeltsin damage military campaign continues to do to Russia's international stature. Makes it more difficult to integrate Russia into Western institutions.

Economics

- Reform moving but still fragile.
- Good that IMF has Russia on short tether, by distributing tranches each month, to be sure reform proceeds.
- Upcoming months will be difficult, need to continue pressure for reform.
- Good that we reached debt agreement with Russia for this year at Paris Club. Can give incentive for possible multiyear deal if they carry out their IMF program.

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Preview of Your Halifax Discussions with Yeltsin

- Yeltsin and I will return to European security discussion from Moscow. Good news in meantime: Russia approved PFP plan and initiated NATO-Russia relationship.
- Important Yeltsin hear same message from all of us on Europe, especially on NATO enlargement:
  - Want Russia an active, constructive player in shaping more secure and undivided Europe.
  - Russia should participate actively in PFP and work with us to give content to NATO-Russia relationship.
  - NATO enlargement proceeding. Gradual, transparent, no surprises, no acceleration, but no slowing.
- Will raise CFE. Ready to work with Russia to resolve flank problem at 1996 Review Conference. Russian implementation of flank limits by November 1995 key to our ability to help.
  - Hope to get Yeltsin to see this as political problem, understand strategic, political interests at risk over question of where some military equipment is located.
- Will urge Yeltsin to work cooperatively to enhance security of nuclear materials, combat nuclear smuggling.
  - Situation in Russia worrisome. But need to approach this tactfully, so Russians don't get defensive.

RUSSIA ECONOMIC SITUATION

DECLASSIFIED  
FER E.O. 13526  
2016-0136-M (1.35)  
KBH 1/22/2020

Issue:

We want to encourage Yeltsin to continue implementation of Russia's IMF-backed economic program and underscore ongoing Western support for market-based reforms. Yeltsin may seek U.S. support for a multi-year official debt rescheduling and a Russian proposal for an IMF SDR allocation.

Key Points:

- We encourage Russia to continue successful performance under IMF arrangement.
- Support multi-year official debt rescheduling for Russia.
- However, cannot support Russian SDR proposal, as it entails substantial general SDR allocation.
  - Continue to support solution to SDR equity problem, and remain committed to G-7 proposal for special allocation aimed at helping countries like Russia, who have not benefited from previous SDR allocations.

Background:

Economic reform in Russia is a story of ups and downs, but reforms are steadily turning Russia into a market economy. There are growing signs that privatized enterprises are beginning to adapt to new, market-driven realities, such as prices. Inflation was cut from an average 20% a month in 1993 to 10% a month last year. After dropping sharply, GDP has flattened out over the past year and looks poised to start growing.

Last fall was a "down" for Russia, as the government succumbed to pressures for new subsidies: inflation shot up, the ruble dropped and confidence faltered. This year, however, Russia has taken impressive steps to restore the momentum of reform. The centerpiece of the 1995 economic program is a disciplined budget that reduces the deficit from ten to six percent of GDP, slashes central bank credits and aims to bring inflation to one percent a month in the second half of the year. Other important parts include liberalization of oil exports and plans for further privatization.

Russia has performed well on its IMF-backed program so far this year. The true test, however will come during the summer months with seasonal pressures for new subsidies, together with possible

temptations to relax finances in the run-up to the December elections.

The West has responded to Russia's renewed and intensified commitment to reform by deepening our support. In April the IMF extended its first full-fledged standby loan to Russia, providing \$6.8 billion over one year to support its reform program. The World Bank also approved a \$600 million import rehabilitation loan in early June. The Paris Club creditors are expected to provide further support with a generous debt rescheduling for 1995 and the prospect of a comprehensive rescheduling if Russia stays on its IMF-backed reform program (Paris Club negotiations began June 1 with likely conclusion by the time of Halifax).

Debt Rescheduling: Russian leaders may seek our support for a "global," or "comprehensive" rescheduling of Russia's official debts. As part of the 1995 agreement under negotiation, Paris Club creditors will likely agree to consider such a rescheduling. Negotiations would begin as early as late 1995, provided Russia stays on-track with its IMF economic program.

SDR Allocation: Last year at Naples the G-7 proposed a special (or "equity") SDR allocation for countries such as Russia, who joined the IMF since the last allocation in 1981. Developing countries, however, sought a more generous general allocation for themselves as part of this, which we and other G-7 rejected in light of its inflationary potential. The impasse has not been resolved, but the Russians appear unwilling to give up on this initiative.

Bilateral Economic Issues: Our economic cooperation is expanding, but there are still a number of bilateral issues outstanding. Russia has still not ratified our Bilateral Investment Treaty, which would put U.S. investors on a more secure legal footing, and problems with Russian taxation of our foreign assistance persist.

From the Russian perspective, unresolved issues include U.S. failure to pass legislation making Russia an "Economy in Transition." We certified Russia to be in compliance with Jackson-Vanik provisions last year, but this fell short of Russian requests to be graduated from JV, which would require Congressional approval. In addition, Russia will be looking closely for our decision on whether to permit Ex-Im Bank support for sales of Pratt and Whitney engines to power 20 Russian Ilyushin-96M aircraft. Boeing has lobbied strongly against such support, and the USG is reviewing its policy with no decision expected before Halifax.

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NONPROLIFERATION

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PER E.O. 13526

2016-0136-M (1.36)

KBH 1/12/2020

Issue:

To gain G-7 adoption of strong language on nuclear cooperation with Iran; approval of an action plan to combat nuclear smuggling; and increased cooperation to improve nuclear materials security in the former Soviet Union.

Key Points:

- Important that we stand together in preventing any nuclear cooperation with Iran, which necessarily will enhance its technical capabilities to pursue weapons program.
- Smuggling of nuclear materials remains critical issue for our mutual security. Any action plan will fail if nuclear materials in the former Soviet Union are not secured. G-7 should increase cooperation and dedicate more resources to enhance security of nuclear materials in countries that lack resources.
- Should swiftly adopt action plan to combat nuclear smuggling in fulfillment of anti-smuggling commitment made at Naples.

Background:

Iran shows no evidence of having abandoned its nuclear weapons program. For the P-8 Chairman's Statement, G-7 governments and Russia have agreed on language that reads, "We call on all states to avoid any collaboration with Iran that might contribute to the acquisition of a nuclear weapons capability." This is as much as can be achieved with the Russians. However, to make it clear that Russia's position on nuclear cooperation with Iran is contrary to the views of all the G-7 and that no G-7 member will substitute for Russia in the Iranian nuclear market, we are working with Chretien on a statement he will make at the press conference which reflects our view and his that any nuclear cooperation will contribute to Iran's nuclear weapon's capability.

In Naples, the G-7 leaders committed to develop a framework for meeting the challenge posed by the smuggling of nuclear materials. G-7 plus Russia non-proliferation experts have met three times since the Naples Summit to craft an action plan to deal with the problem, and law enforcement/intelligence officials have met once. The Summit offers the opportunity to press the leaders to commit their reluctant bureaucracies to get moving on the action plan.

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Any anti-smuggling plan will fail if nuclear materials in the NIS are not secured. Improving materials protection, control and accountability (MPC&A) for nuclear materials in the NIS is a key nonproliferation objective. Increased cooperation by the G-7 and dedication of more resources can provide greater physical protection and control of nuclear materials in countries that lack such resources.

BILATERAL NUCLEAR SAFETY PROGRAM WITH RUSSIA

Issue:

Since 1992, DOE and NRC, under State coordination, have worked to improve the safety of Russian reactors and to strengthen Russian nuclear regulators. Work on projects aimed at improving the physical safety of Russian reactors was interrupted in late 1993 because of contractors' concerns over inadequate Russian nuclear liability legislation. An interim solution has been found, and all such projects are now again underway. We want the Russians to push forward on privatizing and restructuring the power sector to generate more internal funds for safety maintenance and to pass additional legislation to resolve the liability issue and clearly establish the authority of their nuclear regulators.

Key Points:

- Since USG's 1992 Lisbon Nuclear Safety Initiative, Department of Energy and the Nuclear Regulatory Commission have worked effectively with Russian counterparts on nuclear safety projects totaling over \$90 million. Requested 1996 funding to continue work.
- To gain fuller participation by our private sector, Russia should pass effective nuclear liability legislation of its own and adhere to international liability conventions.
- Urge Russia to continue efforts to restructure and privatize energy sector to enable utilities to generate adequate funds for routine maintenance and own safety improvement programs.
- Urge Russia to pass additional legislation giving firm legal basis to role and authority of own nuclear regulators.

Background:

The 1992 Lisbon Initiative -- subsequently blessed by G-7 leaders -- defined three goals: improving operational safety at all Soviet-designed reactors, improving the physical safety of the riskiest reactors and strengthening the nuclear regulators.

Accomplishments: The bilateral nuclear U.S. safety program is being implemented by DOE and NRC under Department of State coordination. DOE has received \$83.6 million of FY 92-94 Freedom Support Act money for conducting training, improving fire safety, devising new operating procedures, providing analytical simulators and undertaking physical improvements to

plant safety systems. The NRC was given \$9.15 million of FY 92-94 Freedom Support Act money for projects providing advanced training in computer codes and regulatory methodologies, and helping Russia's regulators devise new licensing, enforcement and regulatory procedures. DOE is seeking line item funding starting in FY-96.

The JEPAS: A major bilateral achievement complementing our nuclear safety program is completion of the U.S.-Russian Joint Electric Power Alternatives Study (JEPAS), commissioned by Gore-Chernomyrdin II initially to identify energy alternatives to replace reliance on the riskiest reactors. The project evolved into a comprehensive, least-cost investment plan for meeting Russia's electric power needs over the coming decade. The study confirms our arguments that Russia can afford to close its oldest, most dangerous reactors, and that safety investments in existing reactors are cost-effective. The study has already generated considerable interest in the private sector and may serve as a valuable tool for mobilizing international financial resources for Russian power-sector investments.

Problems: The U.S. program has not delivered as many upgrades as fast as the Russians had hoped. The chief problem was the lack of legislation in Russia limiting nuclear liability, which caused potential private-sector contractors in late 1993-early 1994 to refuse to work on existing project proposals. These projects were effectively stalled pending conclusion of a bilateral agreement with Russia that included nuclear liability protection, and DOE restructuring of its own project management structure to accommodate liability concerns of the national labs managing the technical end of the program. NRC's program and DOE's operational safety projects, however, were unaffected. The growing gap between safety upgrades promised in February 1993, when these projects were first proposed, and what actually has been delivered is narrowing as work has resumed on these projects, many of which are due for completion in the coming year. The only remaining problem is erratic Russian customs clearance procedures that have caused some delays in shipping equipment.

Next Steps: Certain Russian actions could greatly enhance the effectiveness of the nuclear safety program: first, adopting additional nuclear legislation both to establish clearly the authority of Russia's nuclear regulators and to reach a final resolution of the liability issue (which would elicit broader participation by our private sector); and second, continuing ongoing efforts to restructure and privatize the energy sector so that power plants could generate more revenue to fund basic maintenance and safety improvements on their own.

PIPELINE ISSUES

Issue:

Russian actions have created obstacles to the development of Caspian petroleum resources by hindering pipeline routes that bypass Russia and by insisting some or all of the energy reserves in the Caspian Sea be developed jointly by all the littoral states. Our objective is to convince the top Russian leadership to view development and transport of these resources as compatible with their strategic interests.

Key Points:

- Energy development in Central Asia and Caucasus region is cornerstone to the economic development that will foster reform and stability.
- Energy resources in Caspian region can support multiple pipelines and benefit all partners, but we oppose attempts by any party to use its leverage to gain unfair economic or political concessions.
- We should encourage joint and cooperative Caspian energy development.

Background:

Current Pipeline Access Hindered: Russian authorities have limited Kazakhstani access to the former-Soviet crude oil pipeline system, despite assurances in 1993 Russia would allow oil exports of up to six million tons from Chevron's joint venture development of the Tengiz field. Gazprom, which controls the gas pipeline system in Russia, has refused to allow any Turkmen gas exports to Western Europe through its pipeline. In addition, Gazprom limitations on pipeline access are also preventing full development of the large Karachaganak field in Kazakhstan.

New Pipeline Construction Stalled: Russia strongly supports the Caspian Pipeline Consortium (CPC) project, developed in 1992 to construct a new pipeline from Kazakhstan through Russia to the Black Sea. The USG is concerned the project does not meet international financial or commercial standards and would significantly disadvantage both Kazakhstan and Chevron. Because the principal shipper (Chevron) has refused to participate and none of the governments involved has been willing to provide

sovereign guarantees, no bank has been willing to finance the project.

Many Russian officials oppose development of new pipelines that do not go through Russia for the export of oil and gas from the Caspian region. Georgia hopes to be the site of a small volume pipeline for some "early" oil production from Azerbaijan and a transit route for the subsequent major export pipeline. Turkey is promoting construction of a pipeline from Azerbaijan through the Caucasus and Turkey to the Mediterranean for the bulk of Azerbaijani oil. Azerbaijan, the transit countries and the Western companies (including five U.S. firms) hope to gain Russian concurrence for non-Russian routes. The U.S. supports multiple pipelines, including possible ones through Russia, for Caspian oil as a key element to promoting regional energy development, ensuring uninterrupted transport of energy from the region and guaranteeing sufficient capacity for Russia's future.

Legal Status of Caspian Sea: The legal status of the Caspian Sea came into question with the dissolution of the Soviet Union. Russia proposes a 20 mile exclusive zone for fishing, mining and energy development, with the rest of the Caspian treated as a common area in which oil development and transport could only occur with the concurrence of all five littoral states. Iran and Turkmenistan are leaning toward the Russian proposal. Azerbaijan and Kazakhstan support division of the Caspian into exclusive economic zones. International law provides little guidance on the status of the Caspian.

The Russian proposal may simply be a negotiating chip. For example, Russian officials have indicated to the Azerbaijani consortium that if their oil moves north through Russia, Russia will cease disputing Azerbaijan's offshore oil claims.

We emphasized to the Russians that the proposal provides Iran with an effective veto over development in the common area, which is not in Russia's long-term strategic interest. to be tied indefinitely to Iran.

**FRIDAY P-8  
WORKING DINNER**

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COMMUNIQUE

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DECLASSIFIED  
PER E.O. 13526

2014-0136-M (1.39)  
KBH 1/22/2020

FRIDAY P-8 WORKING DINNER

Scene:

This is the first session with President Yeltsin. The nominal **subject of the dinner is "global issues,"** a term agreed upon in Naples. **Yeltsin is designated as the lead speaker.** In reality, of course, Yeltsin will use the platform as he wishes. His sherpa has told us he will want to address some of the international economic issues discussed earlier on Friday by the G-7. He may also, of course, raise the issue of Russia's participation in the G-7 in subsequent summits, something to which we are presently opposed on both political and economic grounds. Chretien will likely have asked you and the other G-7 leaders earlier in the day for suggestions on an approach to take at this dinner.

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**SATURDAY P-8  
SESSIONS**

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PER E.O. 13526

2011-0136-M (1.40)  
KSH 1/22/2020

SATURDAY P-8 SESSIONS

Scene for P-8 Plenary Session:

This very brief (30 minute) session is to include a recapitulation of the previous evening's dinner discussion and a report from the foreign ministers prior to their own meeting. The topics covered in the minister's report have not yet been fixed, but will be drawn from a predictable menu including Bosnia, arms control, and the Middle East.

Scene for P-8 Working Session:

Canada has suggested two topics for this session: (1) managing conflicts and tensions and (2) Bosnia. Given recent events, it is highly likely that much of the sixty minute session will be devoted to Bosnia. The "managing conflicts and tensions" topic is meant to include a discussion of Chechnya. The Russians know that the G-7 leaders will want to communicate their views to Yeltsin.

This session formally ends the P-8. At its conclusion Prime Minister Chretien will publicly summarize his Chairman's Statement. Although Russia has not agreed to anything on Chechnya in the Chairman's Statement as such, Chretien will mention that Chechnya was discussed. He will deliver agreed talking points on this subject after he completes his formal summary of the Chairman's Statement.

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BOSNIA

DECLASSIFIED  
PER E.O. 13526  
2016-0134-M (1.41)  
KBH 1/22/2020

KEY U.S. POLICY GOAL

- contain conflict, promote political solution;
- help preserve Bosnia as multi-ethnic state within its internationally recognized borders;
- keep faith with our NATO allies; and
- relieve human suffering.

To these ends, over past two and a half years, we have:

- led NATO military responses to UN calls for assistance in protecting its forces and the safe areas;
- brokered agreement ending war between Muslims and Croats and establishing bicomunal Federation;
- led Contact Group efforts toward negotiated settlement;
- deployed peacekeeping troops to the former Yugoslav Republic of Macedonia to contain spread of conflict;
- helped keep the war out of the skies over Bosnia; and
- conducted the longest humanitarian airlift in history.

Policy has produced results:

- civilian casualties declined dramatically (130,000 in 1992, down to 2500 in 1994);
- U.S. airlift has delivered more than 50,000 tons of humanitarian supplies in the longest airborne relief operation ever -- thousands have received food and medical supplies;
- shelling of Sarajevo has been reduced (until events of recent days);
- NATO's Operation Deny Flight kept the war out of the air over Bosnia for two and a half years; and
- war hasn't spread to other areas of Balkans.

We have avoided, and will continue to avoid, committing U.S. ground forces to the conflict or to join UNPROFOR in Bosnia.

But we believe Allies should know that, in the event UNPROFOR has to withdraw or if units need to be extracted in emergency situations, U.S. prepared to help through NATO.

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There are three contingencies in which we might use U.S. troops in discrete, temporary operations:

1. We would be prepared, after consulting with Congress and if asked by the parties, to use U.S. troops as part of a NATO force to help implement a settlement that the parties were carrying out in good faith.
2. If UNPROFOR decided to withdraw, after consultation with Congress and review of military plans, we would participate in NATO operation to assist in withdrawal.
3. As a last resort, if needed -- and that is an open question because allies in UNPROFOR have formidable capabilities themselves -- we should be prepared to assist NATO in an emergency extraction of units whose positions had become untenable, to points of safety in Bosnia.

We will also consider requests to support a UN Quick Reaction Force, short of providing ground forces.

- We will provide close air support as we have to UNPROFOR for past two years.
- We will assist in establishment of an intelligence coordination cell and provide timely intelligence data.
- We are prepared to provide equipment such as attack helicopters, radars, communications gear and night-vision equipment (but not with U.S. personnel).
- And we will provide strategic lift to help bring allies' heavy equipment to the theater.

These commitments are intended to strengthen Allies' resolve to maintain UNPROFOR. Continued UNPROFOR presence is essential to reduce violence, deliver humanitarian aid, and preserve conditions for political settlement.

Strengthening UNPROFOR so that it can do its job is clearly better than the alternatives:

- quitting and withdrawing UNPROFOR, with the humanitarian disaster that would surely follow; (lifting the arms embargo unilaterally, as part of this strategy, Americanizes war and increases bloodshed);
- continuing with status quo, which is unsustainable; or
- sending American troops to fight in a ground war in the Balkans -- which the American people reject.

Despite UNPROFOR's current problems, tens of thousands of lives have been saved and violence has been reduced.

Our ultimate objectives--negotiated peace and stability in Balkans--more likely if the international presence remains.

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FER E.O. 13526  
2016-0136-M (142)  
KBM 1/22/2020

EUROPEAN SECURITY

Issue:

Following up on the achievements of the Moscow Summit, the NATO-Russia dialogue was inaugurated at the May 30-31 NATO ministerials. We have also made proposals for the enhancement of the Partnership for Peace (PFP). The process of NATO enlargement is proceeding smoothly; we achieved our goal at the ministerials of conveying a message of steady, deliberate progress.

Key Points:

- Made significant progress on getting NATO-Russia dialogue off ground. Key element of our approach to development of European security system.
- Want to enhance Partnership for Peace. Have made proposals along these lines.
- NATO expansion process is moving along nicely. Need to keep to timetable announced, briefing Partnership for Peace countries this fall.

Background:

Based on the achievements of the Moscow Summit, the NATO-Russia relationship is back on track. As promised, Yeltsin implemented the two basic documents on NATO-Russia relations: the Individual Partnership Program and the paper on cooperation "beyond PFP." At the May 30-31 NATO ministerial meeting, NATO and Russia agreed to proceed with a formal dialogue, leading to preparation of a framework for relations by next December.

NATO's recent ministerial meetings confirmed the steady, deliberate pace of the enlargement process and of NATO's evolution. NATO's study of enlargement continues. NATO will present the conclusions of the study to PFP countries this fall. The responses to those presentations will be reviewed at next December's meetings.

The dialogue on European security which was initiated in Moscow will continue in Halifax. Yeltsin remains opposed to NATO expansion and says he wants to see NATO transformed from a military to a political alliance. We are maintaining our steady

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course: NATO will expand; it is not directed against anyone; expansion will enhance security throughout Europe; NATO has already transformed itself since the end of the Cold War.

At the NATO meetings, Secretary Christopher initiated consideration of ways to enhance PFP to build on the progress already achieved by the program. These include ways to ensure democratic and civilian control of the military, widening the Partnership's focus, and working more closely together in the planning of Partnership exercises.

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**SATURDAY P-8  
LUNCH**

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SATURDAY P-8 LUNCH

DECLASSIFIED  
FER E.O. 13526  
2016-0136-M (1.43)  
KBH 1/22/2020

Scene:

Canada has designated UN reform as a topic for this lunch, which technically is not a part of the P-8 meetings. In part, inclusion of the UN topic at this lunch is meant to bring the Russians on board on the general subject of UN reform. **There will also be a discussion of peacekeeping**, which will give you the opportunity to explain why the United States cannot continue to bear as high a proportion of peacekeeping funding as we currently sustain. According to the Canadians, **the composition of the Security Council is not intended as a discussion topic.**

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UNITED NATIONS REFORM  
DISCUSSIONS WITH RUSSIA

DECLASSIFIED  
PER E.O. 13526  
2016-0134-M (1.44)  
KBH 1/22/2020

Issue:

Securing Russia's support would facilitate the G-7's efforts to revitalize and reform the UN. The discussion with Russia is likely to focus on peacekeeping. The G-7 seeks to improve the management and support of peacekeeping operations.

Key Points:

- Must help UN enhance ability to manage peace operations effectively and efficiently. Internal procedures need to be streamlined, command-and-control capabilities upgraded and UN staffing reconfigured and expanded.
- In addition, need to press for rapidly deployable headquarters, peacekeeping code of conduct and improved internal oversight.
- Need support of all to revise UN peacekeeping scale of assessments to avoid grave UN financial consequences. 25% limit on U.S. contributions is legally binding on us.
- Together we can create process in New York to push forward key reforms: restructure Secretariat to improve effectiveness; expand on reforms begun by Boutros-Ghali and U/S Connor; improve effectiveness in human rights, humanitarian relief and refugee programs; strengthen preventive diplomacy and mediation; and increase cooperation between the UN and regional organizations.

Background:

We require a process to implement the reforms which will be recommended at Halifax. We are working to this end in New York but do not have consensus among the G-7 or the non-aligned group.

There is little G-7 support for reducing our share of UN peacekeeping contributions (the scale of assessments) to 25%. Partners oppose U.S. unilateralism, fear our action could harm UN Security Council permanent member responsibilities, unravel UN finances, and force them to increase contributions to cover budget shortfalls.

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## **ADDENDA**



## HALIFAX SUMMIT COMMUNIQUE

### PREAMBLE

1. We, the Heads of State and Government of seven major industrialized nations and the President of the European Commission, have met in Halifax for our 21st annual Summit. We have gathered at a time of change and opportunity, and have reaffirmed our commitment to working together and with our partners throughout the world.

### GROWTH AND EMPLOYMENT

2. The central purpose of our economic policy is to improve the well being of our people, allowing them to lead full and productive lives. Creating good quality jobs and reducing unemployment, which remains unacceptably high in too many of our countries, is thus an urgent priority for all of us. We are committed to establishing an economic environment conducive to the accomplishment of this goal.

3. We are encouraged by the overall performance of our economies and continued strong growth elsewhere in the world. In most of our countries, economic growth is robust and inflation is well under control. We will pursue policies to maintain the momentum of this recovery.

4. Yet problems remain. Internal and external imbalances, together with unhelpful fluctuations in financial and currency markets, could jeopardize achievement of sustained, non-inflationary growth as well as the continued expansion of international trade.

5. We remain committed to the medium-term economic strategy that we earlier agreed upon. Consistent with it, we are determined to make the best possible use of the current economic expansion by taking steps to promote durable job creation. This requires action to achieve, where necessary, and maintain sustainable public finances and a non-inflationary environment, and to ensure adequate savings for the funding of a high level of global investment.

6. We endorse the conclusions reached by G-7 Finance Ministers in Washington and ask them to maintain close cooperation in economic surveillance and in exchange markets.

7. Good fiscal and monetary policies will not on their own deliver the full fruits of better economic performance. We must also remove obstacles to achieving the longer-term potential of our economies to grow and create secure, well-paying jobs. This will require measures to upgrade the skills of our labour force, and to promote, where appropriate, greater flexibility in labour markets and elimination of unnecessary regulations. At Naples we committed ourselves to a range of reforms in the areas of training and education, labour market regulation and adjustment, technological innovation and enhanced competition. As we pursue these reforms, we welcome the initiation by the OECD of a detailed review of each member economy's structural and employment policies.

8. We are also committed to ensuring protection for our aging populations and those in need in our societies. To this end, some of our countries must take measures to ensure the

9. New developments in the creation and dissemination of information are profoundly affecting our countries. This highlights the growing importance of the quality of human capital, and the need for our economies to become more flexible if we are to exploit fully the information revolution's potential to spur new economic growth and job creation. We welcome the results of the G-7 Information Society conference held in Brussels in February, including the eight core policy principles agreed to by Ministers, and encourage implementation of the series of pilot projects designed to help promote innovation and the spread of new technologies. We also welcome the involvement of the private sector. We encourage a dialogue which will foster the participation of developing countries and economies in transition in establishing the Global Information Society. To this end we welcome the proposal that an information society conference be convened in South Africa in spring 1996.

### MEETING THE CHALLENGES OF THE 21ST CENTURY

10. International institutions have been central to our pursuit of stability, prosperity and equity for the past 50 years. Last year, in Naples, we called for a review of the international institutions to ensure that they are equipped to deal effectively with the challenges of the future. Today, in Halifax, we are proposing some concrete steps toward this goal. All countries have a stake in effective, efficient institutions. We pledge our full energies to working towards strengthening the institutions in partnership with their entire membership to enhance the security and prosperity of the world.

#### **Managing the Global Economy**

11. The world economy has changed beyond all recognition over the last fifty years. The process of globalization, which has been driven by technological change, has led to increased economic interdependence: this applies to some policy areas seen previously as purely domestic, and to interactions between policy areas. The major challenge confronting us is to manage this increased interdependence while working with the grain of markets, and recognising the growing number of important players. This is especially important in the pursuit of global macro-economic and financial stability.

12. Close consultation and effective co-operation on macroeconomic policies among the G-7 are important elements in promoting sustained growth with low inflation, avoiding the emergence of large external and internal imbalances, and promoting greater exchange market stability. Our Ministers have adopted a number of changes to the structure of their consultations over time, in order to strengthen policy co-operation, including enhanced consultation with the IMF.

13. The growth and integration of global capital markets have created both enormous opportunities and new risks. We have a shared interest in ensuring the international community remains able to manage the risks inherent in the growth of private capital flows, the increased integration of domestic capital markets, and the accelerating pace of financial innovation.

14. The developments in Mexico earlier this year have sharpened our focus on these issues. We welcome the recent more positive turn of events in Mexico, as well as the positive developments in a number of emerging economies.

15. The prevention of crisis is the preferred course of action. This is best achieved through each country pursuing sound fiscal and monetary policies. But it also requires an improved early warning system, so that we can act more quickly to prevent or handle financial shocks. Such a system must have an improved and effective system of surveillance of national economic policies and financial market developments and fuller disclosure of this information to market participants. To this end, we urge the IMF to:

- establish benchmarks for the timely publication of key economic and financial data;
- establish a procedure for the regular public identification of countries which comply with these benchmarks;
- insist on full and timely reporting by member countries of standard sets of data; provide sharper policy advice to all governments and deliver franker messages to countries that appear to be avoiding necessary actions.

16. If prevention fails, financial market distress requires multilateral institutions and major economies to respond in a quick and coordinated fashion. Financing mechanisms must operate on a scale and with the timeliness required to manage shocks effectively. In this context, we urge the IMF to:

- establish a new standing procedure -- "Emergency Financing Mechanism"-- which would provide faster access to Fund arrangements with strong conditionality and larger upfront disbursements in crisis situations.

17. To support this procedure, we recommend

- that the G-10 and other countries with an important stake in the system establish financing arrangements with the objective of doubling as soon as possible the amount currently available under the GAB to respond to financial emergencies;
- [that the IMF give further consideration to exploiting its power to borrow in private financial markets as a possible further source of fast-disbursing liquidity.]

18. To ensure that the IMF has sufficient resources to meet its ongoing responsibilities, we urge continued discussions on a new IMF quota review

19. We continue to support the inclusion of all IMF members in the SDR system. Moreover, we urge the IMF to initiate a broad review of the role and functions of the SDR in light of changes in the world financial system.

20. Solid progress on the elements discussed above should significantly improve our ability to cope with future financial crises. Nevertheless, these improvements may not be sufficient in all cases. In line with this, and recognising the complex legal and other issues involved, we would encourage further review by G-10 Ministers and Governors of other, market-based, mechanisms that might also usefully be considered for an orderly resolution of crisis situations

21. Close international cooperation in the regulation and supervision of financial institutions and markets is essential to safeguard the financial system and prevent an erosion of prudential standards. We urge:

- a deepening of cooperation among regulators and supervisory agencies to ensure an effective and integrated approach, on a global basis, to developing and enhancing the safeguards, standards, transparency and systems necessary to reduce risks;
- continued encouragement to countries to remove capital market restrictions, coupled with strengthened policy advice from international financial institutions on the appropriate supervisory structures;
- Finance ministers to commission reports from the international organizations responsible for banking and securities regulations and to report on the adequacy of current arrangements, together with proposals for improvement where necessary, at the next Summit.

22. We also recognize that international financial fraud is a growing problem. We are committed to improve communication between regulators and law enforcement agencies.

### **Promoting Sustainable Development**

23. A higher quality of life for all people is the goal of sustainable development. The commitment to put people first requires us to view democratic, human rights, economic, social and environmental objectives as integral parts of the larger purpose of strengthening human well-being. The primary responsibility for sustainable development rests with each country; bilateral and multilateral international cooperation is essential to reinforce national efforts. We are committed to securing substantial flows of funds and to improving the quality of our assistance. We look forward to the recommendations of the Development Committee's Task Force on Multilateral Development Banks. We strongly urge all donor countries to fulfil their commitments to IDA X and to support a significant replenishment through IDA XI. Open markets throughout the world are also crucial to accelerated economic growth in the developing countries.

24. Multilateral institutions play a crucial role by providing intellectual leadership and policy advice, and by marshalling resources for countries committed to sustainable development. The UN and the Bretton Woods institutions should build on their respective strengths. The UN offers a unique forum for consensus building on global priorities, is an advocate for core values, and responds to development and humanitarian needs. The Bretton Woods institutions have a particular role in promoting macro-economic stability, in supporting favourable environments for sustainable development and in mobilising and transferring resources for development. Both sets of organisations belong to their memberships as a whole. We will work with the memberships, within the organizations, to ensure multilateral institutions:

- make sustainable development a central goal of their policies and programmes, including by intensifying and deepening the integration of environmental

- encourage countries to follow sound economic, environmental and social policies and to create the appropriate legal and structural framework for sustainable development;
- encourage countries to follow participatory development strategies and support governmental reforms that assure transparency and public accountability, a stable rule of law, and an active civil society;
- encourage the development of a healthy private sector, expand guarantees and co-financing arrangements to catalyze private flows, and increase credit for small and medium-sized enterprises;
- continue to provide resources for the infrastructure needed for sustainable development, where these are not available from the private sector.

### Reducing Poverty

25. An overriding priority is to improve the plight of the world's poor. Persistence of extreme poverty and marginalisation of the poorest countries is simply not compatible with universal aspirations for prosperity and security. Sub-Saharan Africa, the only region where poverty is expected to increase substantially, faces especially severe challenges. We will work with others to encourage relevant multilateral institutions to:

- focus concessional resources on the poorest countries which have a demonstrated capacity and commitment to use them effectively, take trends in [military and other] unproductive spending into account in extending assistance, and increase the priority accorded to Sub-Saharan Africa;
- direct a substantially increased proportion of their resources to basic social programmes and other measures which attack the roots of poverty.

26. Debt remains a serious problem for many of the world's poorest countries. We urge the Paris Club to implement the Naples Terms fully and constructively. We will encourage:

- the Bretton Woods institutions to develop a comprehensive approach to assist countries with multilateral debt problems, through the flexible implementation of existing instruments and new mechanisms where necessary;
- mobilization of existing World Bank and IMF resources [through the sale of IMF gold,] and consideration of appropriate measures in the multilateral development banks.

27. The WTO and UNCTAD, in their respective fields, should work to assist the integration of the poorest countries into the world trading system. We encourage the WTO to monitor and review the Uruguay Round's impact on the least developed countries.

### **Safeguarding the Environment**

28. We place top priority on safeguarding our shared environment, which requires both domestic and international action. In policies, operations and procurement, governments must show leadership in improving the environment. This will require the appropriate mix of economic instruments, innovative accountability mechanisms, environmental impact assessment and voluntary measures. The results of the 1992 Rio Earth Summit, including the Conventions on Climate Change and Biological Diversity, other multilateral agreements, and key international institutions (UN Environment Program (UNEP), the UN Commission on Sustainable Development (CSD) and the Global Environment Facility) constitute an international framework to address global environmental challenges. We will continue our efforts to meet our Rio commitments and report at the 1997 Special Session of the UN General Assembly. We will work with others to:

- fulfil our existing obligations under the Climate Change Convention, and meet the commitments made at the recent Berlin Conference,
- implement the medium term work program adopted pursuant to the Convention on Biological Diversity,
- conclude successfully the work of the CSD intergovernmental panel on forests and promote a successful UN Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks.

29. We encourage a clearer delineation of the mandates of CSD and UNEP. CSD should be the global forum for identifying and agreeing upon long term strategic goals for sustainable development. UNEP should act as the world's environmental monitor and catalyst.

### **Preventing and Responding to Crises**

29. Disasters and other crises complicate the development challenge and have exposed gaps in our institutional machinery. To help prevent and mitigate emerging crises, including those with human rights and refugee dimensions, we will ask:

- the UN Secretary General to explore means to improve the analysis and utilization of disaster and conflict-related early warning information, particularly through the High Commissioners on Human Rights and Refugees,
- the Bretton Woods institutions to establish a new coordination procedure, supported as necessary by existing resources, to facilitate a smooth transition from the emergency to the rehabilitation phase of a crisis, and to cooperate more effectively with UN agencies and donor countries.

### **Reinforcing Coherent, Effective and Efficient Institutions**

30. To fulfil their missions effectively into the future, multilateral institutions must... institutional financial institutions we will encourage:

- the IMF and World Bank to concentrate on their respective core concerns (broadly, macro-economic policy for the IMF and structural and sectoral policies for the World Bank);
- revision of the Ministerial committees of the IMF and World Bank to promote more effective decision-making;
- the World Bank Group to integrate more effectively the activities of the International Finance Corporation and the Multilateral Guarantee Agency into its country assistance strategies;
- the multilateral development banks to coordinate their respective country programmes more effectively.

31. Within the United Nations we will encourage the Secretary General to broaden and deepen the reform process already underway, and will work with others to

- complete the Agenda for Development, which should set out a fresh approach to international cooperation and define the particular contribution expected of UN bodies;
- develop a more effective internal policy coordination role for the Economic and Social Council (ECOSOC); encourage deeper cooperation between UN and specialized agencies through closer cooperation at headquarters and in the field; consolidate and streamline organisations in the economic and social fields; and encourage the adoption of modern management techniques, with a more transparent and accountable Secretariat;
- update and focus mandates to avoid duplication; eliminate overlaps with new organizations [eg. UNCTAD with WTO], and consider the roles of certain institutions in light of evolving challenges [eg. Regional Economic Commissions and UNIDO].

32. To increase overall coherence, cooperation and cost effectiveness we will work with others to encourage:

- rationalization of data collection, analysis, priority setting, and reporting activities; greater complementarity in the provision of assistance at the country level;
- improved coordination among international organizations, bilateral donors and NGOs;
- all institutions to formulate and implement plans to effect significant reductions in operating costs over the next few years.

the Agenda for Development presents an early opportunity to work with other member states in defining priority areas for reform. [We urge a major review by a High-Level Advisory Group to ensure that the economic and social bodies of the UN system achieve these reforms.] We will use the 50th anniversary celebrations in October 1995 to build consensus on these priorities with others. We will take stock at our meeting next year in France.

### CREATING OPPORTUNITIES THROUGH TRADE

34. We recognize that new investment and increased trade are vital to achieving our growth and employment objectives. Continuing tensions and disputes underline the urgency of new initiatives to create more open and competitive markets.

35. We will implement the Uruguay Round Agreements fully, and reaffirm our commitment to resist protectionism in all its forms. We will build on the Agreements to create new opportunities for growth, for employment and for global cooperation. We will work together and with our trading partners to consolidate the WTO as an effective institution, and are committed to ensuring a well-functioning and respected dispute settlement mechanism. We endorse closer cooperation between the WTO and other international economic institutions. We recognize the importance of enhancing the transparency of the WTO.

36. We support accession to the WTO in accordance with the rules that apply to all of its members and on the basis of meaningful market access commitments. We are committed to ensuring that our participation in regional trade initiatives continues to be a positive force for the multilateral system.

37. The momentum of trade liberalization must be maintained. We are committed to the successful completion of current negotiations in services sectors, especially financial services. We will proceed with follow-up work foreseen in the Uruguay Round Final Act and encourage new initiatives in areas such as technical standards, tariffs, subsidies, intellectual property and government procurement. An immediate priority is the negotiation in the OECD of a high standard multilateral agreement on investment. We will work with our partners in the WTO to begin discussions on investment. We encourage work leading to possible negotiation of a multilateral trade and competition policy agreement. We recognize that initiatives such as regulatory reform have a particularly important contribution to make to trade liberalization and economic growth by removing the administrative and structural impediments to global competition.

38. We will pursue work on trade and environment to ensure that rules and policies in these different areas are compatible and are consistent with the goal of continued trade liberalization. We shall continue work on trade, employment and labour standards.

39. We intend to pursue the reduction of all remaining barriers to trade and investment flows. We will work together with our partners in the WTO and other appropriate fora to build a consensus in support of an ambitious agenda at the first WTO Ministerial Meeting in Singapore in 1996.

## ECONOMIES IN TRANSITION

40. We recognize the progress of many countries toward democratic, market-based societies. We will continue our support for economic reform in the economies in transition, and their integration into the global trade and financial systems. We and the international community have committed over US\$3.75 billion in support of Ukraine's bold program of economic reform, and will promote the provision of an additional \$2 billion from the international financial institutions by the end of 1996, assuming the continuation of strong economic reform.

41. We are encouraged by Russia's renewed commitments to financial stabilization and economic reform. We believe that a stable political, regulatory and legal environment, and the development of a modern financial sector, together with the full implementation of the policy measures outlined in the recently-signed IMF Stand-By Arrangement will promote Russian economic recovery. We welcome the June 3 Paris Club debt rescheduling agreement and recognize the relevance of a comprehensive multilateral treatment of Russia's external public debt. Subject to appropriate IMF arrangements, our officials will join those of other creditors in negotiating such an agreement beginning this fall. We also welcome Russia's intention to join the Paris Club.

## NUCLEAR SAFETY

42. Each country is responsible for the safety of its nuclear facilities. We welcome progress made to date in improving the levels of nuclear safety in the countries of central and eastern Europe and the Newly Independent States. We congratulate President Kuchma of Ukraine on his decision to close the Chernobyl nuclear power plant by the year 2000. We reaffirm the commitments of support made last year at Naples under the G-7 Action Plan for Ukraine's Energy Sector. Additional G-7 resources have been provided for short-term safety upgrades and preliminary decommissioning work for the closure of Chernobyl. We invite other donors to join with the G-7 countries in contributing funds for this purpose.

43. The closure of Chernobyl will place an economic and social burden on Ukraine. We will mobilize international support for appropriate energy production, energy efficiency and nuclear safety projects for Ukraine. Any assistance for replacement power for Chernobyl will be based on sound economic, environmental and financial criteria. The World Bank and EBRD should continue their co-operation with Ukraine in devising a realistic long-term energy strategy. They should increase their financial contribution in support of appropriate energy sector reform and energy conservation measures and mobilize private sector support for conventional energy investments. We will review progress regularly.

**CHAIRMAN'S  
STATEMENT**

TO BE PROVIDED

**BIOGRAPHIES OF  
KEY PLAYERS**

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## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
019. report	Halifax Summit [partial] (3 pages)	06/00/1995	P1/b(1)

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**COLLECTION:**

Clinton Presidential Records  
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Executive Secretary  
OA/Box Number: 2586

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**FOLDER TITLE:**

The Participation of President Clinton at the Halifax Economic Summit, June 15-17,  
1995 [Briefing Book] [2]

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**RESTRICTION CODES**

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

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3.5c

**Intelligence Report**

*Office of European Analysis*

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**Halifax: Key Players at the Summit**

3.5c

*A Leadership Assessment*

This report was prepared by analysts from the Office of European Analysis, the Office of Slavic and Eurasian Analysis, and the Office of East Asian Analysis. Comments and queries are welcome

1.4c, 1.4d, 3.5c

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EURA 95-40153  
June 1995

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The Halifax Summit: A Leadership Snapshot

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Halifax: Key Players at the Summit 3.5c

Introduction

Leaders arriving at the G-7 Summit in Halifax—the 21st meeting of the world’s leading economic democracies since the annual gatherings began in 1975—bring with them a broad range of summit experience. It is the second G-7 meeting for both Summit host **Jean Chretien** and Japanese Prime Minister **Tomiichi Murayama**. By contrast, German Chancellor **Helmut Kohl**, the dean of the current summit players, has been attending the G-7 meetings since taking office over a decade ago, and Halifax will mark **John Major**’s fifth summit appearance as British Prime Minister—he also attended the Houston Summit in 1990 as Chancellor of the Exchequer. Even French President **Jacques Chirac**, although new to his current position, is a summit veteran: as Prime Minister during 1986-88, he accompanied his predecessor, Francois Mitterrand, to Tokyo in 1986 and Venice in 1987.

- This year’s gathering is likely to be the only summit appearance for Italy’s **Lamberto Dini**, however. Dini, who comes to Halifax as both Prime Minister and Treasury Minister, has headed a transition government since February 1995, but he is not angling to remain in power after the next national election.
- Although he is a newcomer to the summit scene, European Commission President **Jacques Santer** is well known to the rest of Europe’s G-7 contingent from his 10 years as Luxembourg’s Prime Minister (1984-94), and, given his five-year term at the Commission, he will probably remain a G-7 player until the year 2000.

3.5c

This Leadership Assessment includes an overview of the election picture in the countries of the G-7 participants and the political standing of the heads of government as they depart for the summit.

1.4c, 3.5c

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
020. report	Biography (2 pages)	06/06/1995	P1/b(1)

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Executive Secretary  
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022. report	Biography (2 pages)	06/06/1995	P1/b(1)

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Executive Secretary  
OA/Box Number: 2586

### FOLDER TITLE:

The Participation of President Clinton at the Halifax Economic Summit, June 15-17,  
1995 [Briefing Book] [2]

2016-0136-M

kh1786

### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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1.4c, 3.5c

**Jacques CHIRAC**  
(Phonetic: sheRAHK)

FRANCE

*President (since May 1995)*

*Addressed as: Mr. President*

DECLASSIFIED IN PART  
PER E. O. 13526

2016-0136-M (1.49)  
2/27/2017 KBM

Jacques Chirac achieved a lifetime dream in winning the French presidency—a post often described as offering its incumbent the most extensive range of powers enjoyed by a Western leader [redacted] 1.4c, 1.4d

[redacted] By responding to concern about the domestic economy and joblessness, Chirac—elected with the smallest percentage of first-round ballots of any Fifth Republic president—has already seen an increase in his public standing. According to a 4 June poll, his approval rating was the highest for a new president since Charles de Gaulle started his second term in 1966. [redacted] 3.5c

Despite his long public career and his role as founder in 1976 and leader until late 1994 of the neo-Gaullist Rally for the Republic, Chirac has not demonstrated a consistent ideological framework. He has stated, "Among men there are those who are ideologists and those who are pragmatists. I belong to the second category." Although Chirac portrayed himself as an outsider during the campaign, his extensive experience suggests that he will quickly master the political and bureaucratic intricacies of his position. A former presidential adviser, two-time Prime Minister, and frequent cabinet member, he is well acquainted with the workings of the presidential office. He also has garnered widespread praise for his administrative skills as mayor of Paris during 1977–May 1995. [redacted] 3.5c

**Domestic Priorities . . .**

Since his election, Chirac has continued to voice the themes that he stressed in his campaign, particularly concern for what he depicts as France's fragile social fabric. In March 1995, one of Chirac's aides described his prescriptions for the country as



©

"a synthesis between socialism and Gaullism, between the spirit of tolerance and progress and the notion of the grandeur of France." In early June, Chirac announced that employment was not just "a priority, it is the priority." [redacted] 1.4c, 1.4d

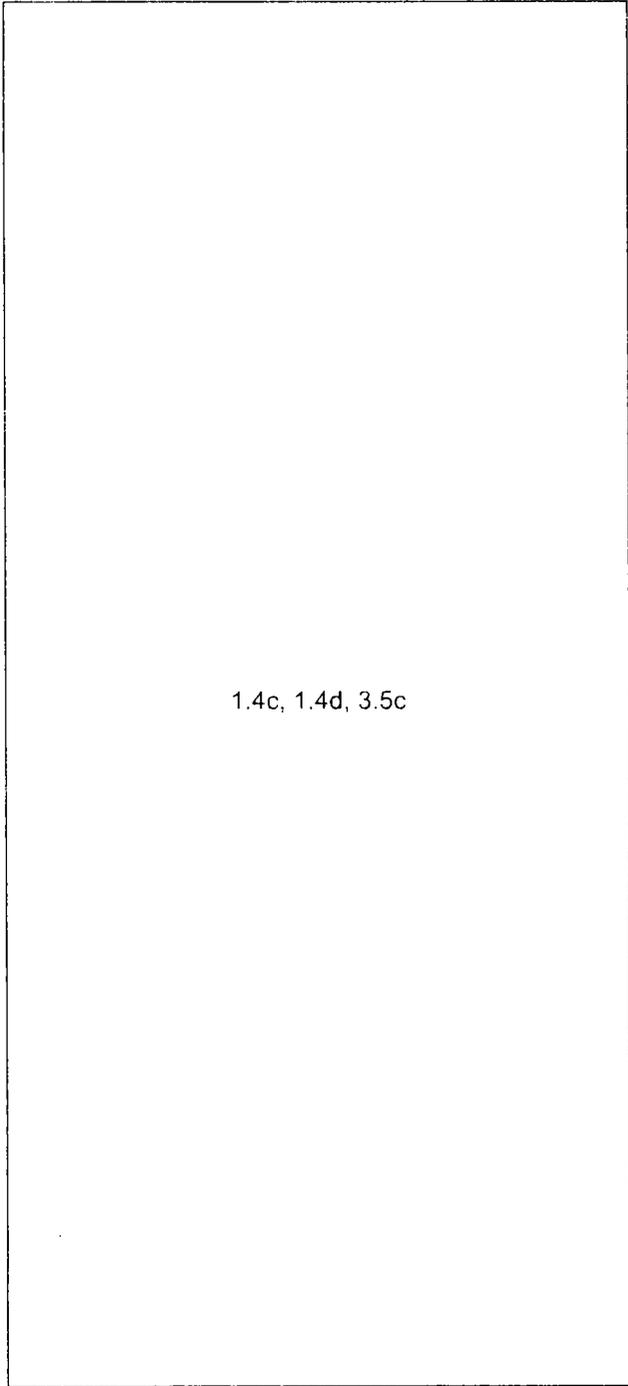
[redacted] many of the early moves of the President have been largely symbolic; for instance, he has ordered his ministers to renounce privileges and set an example of austerity by cutting staffs and dispensing with motorcades. Chirac has confounded observers who believed that he would ease away from campaign promises to preserve France's extensive social net; many commentators had interpreted the appointment of free market economic proponent Alain Madelin to a "super ministry" for economics and finance as a signal that Chirac was willing to take tough measures to improve the economy. Instead, Chirac has introduced a plan to fight joblessness without fully describing how it will be funded. [redacted] 3.5c

**. . . But a Prominent International Role**

French political observers state that Chirac intends to take full advantage of the traditional presidential dominance over foreign and defense policy; his meeting with German Chancellor Helmut Kohl the day after his inauguration and his dinner invitation to EU heads of state for 9 June signaled his intention to take a prominent public

1.4c, 3.5c

(continued)  
LP 95-105760  
6 June 1995



1.4c, 1.4d, 3.5c

### A Long Time Coming

Chirac succeeded in winning the presidency on his third try. His longevity attests to his acumen and determination in maneuvering through rough political waters, according to media observers. He ran in his first presidential election in 1981. After a second tour as Prime Minister (1986-88), which the media characterized as a bruising cohabitation period with President Francois Mitterrand, Chirac lost the 1988 presidential election to him.

3.5c

Chirac was born on 29 November 1932. He received a degree from the Institute of Political Studies before fulfilling his Army duty. Chirac fought in Algeria in the late 1950s. He also is a 1959 graduate of the elite National School of Administration. His first break in politics came in 1962, when then Prime Minister Georges Pompidou offered him a staff position. Chirac developed a warm rapport with Pompidou and entered his government in 1967 as under secretary of state for social affairs. Chirac subsequently held several cabinet posts, including a stint as Minister of Interior (1974). Chirac first served as Prime Minister under then President Valery Giscard d'Estaing from 1974 until 1976, when he resigned over economic and political differences with the President. His rivalry with Giscard split the conservative vote and helped keep the center-right parties in opposition during most of the 1980s.

1.4c, 1.4d

1.4c, 1.4d, 3.5c

### Private Life

Chirac is the first French president to speak English with an American accent. He enjoys reading poetry and detective stories. He is known for his taste for unpretentious fare and Mexican beer. He and his wife, Bernadette, have two natural daughters, Laurence and Claude. As her father's chief media adviser during the 1995 campaign, Claude was largely responsible for transforming Chirac's image from an opportunistic and mercurial politician into a calm and self-confident statesman, according to media reports. The press revealed earlier in 1995 that the Chiracs had a third grown daughter, a Vietnamese refugee whom they adopted in 1979.

3.5c

role. Chirac in early June raised his profile on Balkans policy by making tough statements in defense of French peacekeepers there. However, Chirac, who has not been deeply involved in setting security policy in the past, probably will allow Prime Minister Alain Juppe to wield significant influence over foreign policy in the near term, according to press reporting.

1.4c, 1.4d

3.5c

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
024. report	Biography [partial] (2 pages)	06/05/1995	P1/b(1)

### COLLECTION:

Clinton Presidential Records  
National Security Council  
Executive Secretary  
OA/Box Number: 2586

### FOLDER TITLE:

The Participation of President Clinton at the Halifax Economic Summit, June 15-17,  
1995 [Briefing Book] [2]

2016-0136-M  
kh1786

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Freedom of Information Act - [5 U.S.C. 552(b)]

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of gift.  
PRM. Personal record misfile defined in accordance with 44 U.S.C.  
2201(3).  
RR. Document will be reviewed upon request.

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concerning wells [(b)(9) of the FOIA]

**Herve DE CHARETTE**  
(Phonetic: duh shahREHT)

*Minister of Foreign Affairs (since May 1995)*

*Addressed as: Mr. Minister*

Herve de Charette, a member of the centrist bloc Union for French Democracy (UDF), has virtually no experience in foreign affairs. [redacted] 1.4c, 1.4d

[redacted] press reports speculate that the selection of de Charette, who first surfaced in the media as a candidate for a senior portfolio just before President Chirac's second-round victory, was a gesture to appease centrists in Chirac's center-right parliamentary coalition. [redacted] 1.4c, 1.4d

[redacted] political commentators predict that Prime Minister Alain Juppe will continue to dominate foreign affairs. In an interview following his appointment, de Charette admitted to being "a bit intimidated" at having to succeed the highly regarded Juppe. [redacted] 3.5c

Although he is an advocate of European unity, de Charette manages to be a strong defender of French national prerogatives. [redacted] 1.4c, 1.4d

De Charette has voiced support for Chirac's proposal to hold a second referendum in France following the 1996 Intergovernmental Conference. [redacted] 1.4c, 1.4d

[redacted] On GATT talks and other trade negotiations, de Charette supported a tough line to protect French interests, particularly on agriculture. His close association with UDF chief Valery Giscard d'Estaing suggests de Charette's policy outlook will be influenced by the former President's pro-European views, according to [redacted] 1.4c, 1.4d

[redacted] press reports. [redacted] 3.5c

De Charette gained his first cabinet portfolio immediately after his election to the National Assembly as a Republican Party delegate in 1986, serving as a junior Civil Service Minister under

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2016-0136-M(1.50)  
2/27/2017 KJH



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then Prime Minister Chirac. He returned to parliament as a UDF deputy in 1988 and again in 1993, at which time he ceded his seat to become Housing Minister (1993-May 1995) in the Balladur government. De Charette has served as the UDF's vice president for "Perspectives and Realities," a position originally created in the early 1990s to promote a Giscard presidential candidacy. [redacted] 3.5c

#### Career and Personal Data

De Charette was born on 30 July 1938 in Paris and is a graduate of the School of Advanced Commercial Studies, as well as the prestigious National School of Administration. From 1966 to 1972, he worked at the Council of State, where he was auditor, then deputy secretary general. He gained his only experience in foreign affairs when he served as the Republican Party's national delegate for foreign and security affairs in the early 1970s. From 1973 until 1977, de Charette was an adviser on the staffs of several Labor Ministers. During the late 1970s he served as head of the National Immigration Office (1977) and as chief of staff to the Education Minister (1978). He has been deputy secretary general of the Republican Party since 1979, mayor of Saint-Florent-le Vieil in western France since 1989, and a member of the Loire Regional Council since 1992. [redacted] 3.5c

1.4c, 3.5c

De Charette is fluent in English: he has visited  
the United States several times [1.4c, 1.4d]  
[redacted]

[1.4c, 1.4d] He is married to Michele Delor, his  
second wife, with whom he has one child. He has  
three children from his first marriage [3.5c]

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
025. report	Biography [partial] (2 pages)	05/25/1995	P1/b(1)

### COLLECTION:

Clinton Presidential Records  
National Security Council  
Executive Secretary  
OA/Box Number: 2586

### FOLDER TITLE:

The Participation of President Clinton at the Halifax Economic Summit, June 15-17,  
1995 [Briefing Book] [2]

2016-0136-M

kh1786

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1.4c, 3.5c

**Alain MADELIN**  
(Phonetic: mahdLAN)

FRANCE

*Minister of Economics and Finance*  
(since 18 May 1995)

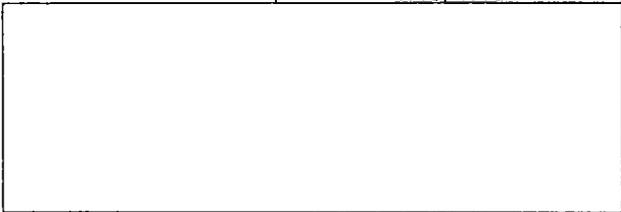
DECLASSIFIED IN PART  
PER E. O. 13526

*Addressed as: Mr. Minister*

2016-0136-M (1.51)  
2/27/2017 KBH

Leading economic liberal Alain Madelin holds one of the government's most powerful posts as head of a newly reconsolidated "super ministry" for economics and finance

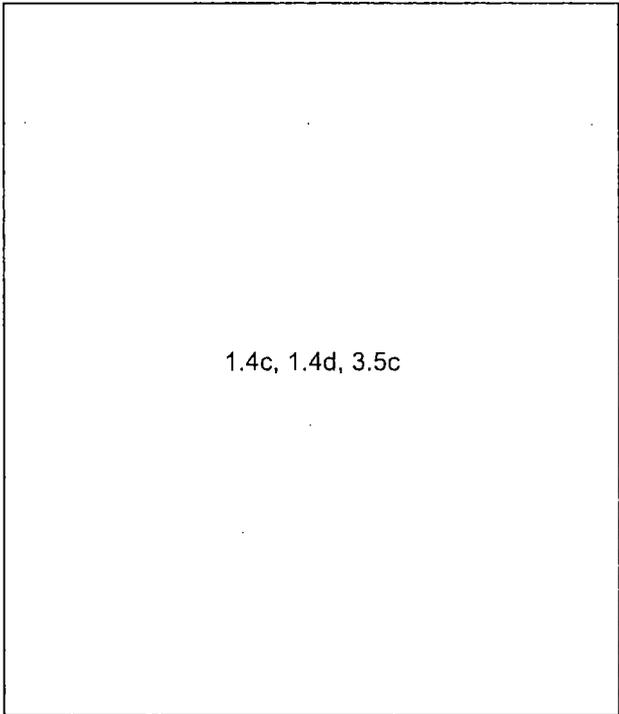
1.4c, 1.4d



It is uncertain, however, how much leeway Madelin will have to implement the free market policies that he has steadfastly advocated over the course of his career. Chirac, according to press reporting, has not demonstrated strong or consistent economic views of his own, and many of the new President's other advisers do not share Madelin's views. Moreover, Madelin will have to balance his liberalization plans with efforts to fulfill some of Chirac's leftist campaign promises and appease a French public concerned by persistently high unemployment

1.4c, 1.4d

3.5c



1.4c, 1.4d, 3.5c

**A Thatcherite in Paris**

Madelin is best known for laissez-faire capitalist proposals that reflect Anglo-American economic thinking and lie outside mainstream French thought. An admirer of Margaret Thatcher, Friedrich von Hayek, and Milton Friedman, Madelin calls for an end to state intervention in the economy. His 1994 book, *Dear Countrymen... Program for a President*, emphasizes the central role that competition and entrepreneurial initiative play in creating a prosperous and just society. He also uses the book to spell out ideas for a supply side economic agenda that would, he argues, boost employment and competitiveness and reform social services. During his 1993-95 tenure as Minister of

Enterprises and Economic Development, Madelin sought to increase employment with proposals to simplify administrative requirements and decrease tax and employee benefit burdens on small companies. In an earlier stint as Industry Minister under then Prime Minister Chirac (1986-88), Madelin even argued for the elimination of his own Ministry on the grounds that government

1.4c, 3.5c

(continued)  
LP 95-105618  
25 May 1995

1.4c, 3.5c

should not be involved in business

1.4c, 1.4d, 3.5c

### Committed to European Union

Madelin has long been one of the center-right's most outspoken proponents of European integration. He was elected to the European Parliament in 1989, although he declined the seat because of a French law restricting the holding of major concurrent political offices. Despite these credentials, Madelin has received lasting criticism for his recommendation during the 1992-93 currency crisis to decouple the franc from the German mark. Madelin later said that conditions have changed since that event and that price and exchange rate stability are now essential for efficient business planning. The European press reports, however, that traders remain worried that he might be less committed than his predecessors to the strong franc policy.

3.5c

### Career and Personal Data

The son of a skilled worker at Renault, Madelin was born on 26 March 1946 in Paris. He is a graduate of a law school in Paris, where, according

to press reporting, he first became politically active in a rightwing student organization that engaged in street fights against Vietnam war protesters. He joined former President Valery Giscard d'Estaing's National Federation of Independent Republicans—a forerunner of the Republican Party (PR)—in 1968 and rose rapidly through its ranks. In 1981 he worked as an aide to Giscard during Giscard's unsuccessful presidential bid. Madelin was a leading PR policymaker on international and East-West issues for several years. He is currently a vice president of the PR—one of the leading parties in the centrist Union for French Democracy umbrella organization, of which he is also a vice president. Madelin served as a National Assembly deputy during 1978-86 and 1988-93. He has been on the parliamentary Foreign Affairs Committee. In mid-1994 Madelin founded a think tank, Ideas-Action, to promote free market economic concepts.

1.4c, 1.4d

3.5c

A voracious reader and prolific writer, Madelin published *To Free the Schools* in 1984 and *Dear Countrymen* 10 years later; he writes regularly for *Le Figaro*. Madelin enjoys skiing and playing golf. He also collects rare books and smokes Havana cigars, according to the press. His wife, Patricia, is also an attorney. The couple has two daughters and a son.

3.5c

# Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
026. report	Biography (2 pages)	06/06/1995	P1/b(1)

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Executive Secretary  
OA/Box Number: 2586

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# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
027. report	Biography (1 page)	05/23/1995	P1/b(1)

### COLLECTION:

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National Security Council  
Executive Secretary  
OA/Box Number: 2586

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## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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028. report	Biography [partial] (2 pages)	06/05/1995	P1/b(1)
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### COLLECTION:

Clinton Presidential Records  
National Security Council  
Executive Secretary  
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1.4c, 3.5c

**Lamberto DINI**  
(Phonetic: DEEnce)

ITALY

*Prime Minister (since February 1995)*

*Addressed as: Mr. Prime Minister*

Former Bank of Italy (BOI) official and IMF specialist Lamberto Dini is an international finance expert who first entered the cabinet under the previous government and has never served in Parliament. Once well known only to the world's bankers, Dini now has a central role in the bitter and tumultuous political drama sparked by the fall of Silvio Berlusconi's rightwing administration in December 1994. [redacted] 1.4c, 1.4d

[redacted] Dini has expanded on the model of successful technocratic leadership established by fellow ex-banker and former Prime Minister Carlo Azeglio Ciampi during 1993-94. [redacted] 3.5c



DECLASSIFIED IN PART  
PER E. O. 13526

2016-0136-M (1.54)  
2/27/2017 KBH

1.4c, 1.4d, 3.5c

### Technocratic Triumph With a Political Twist

When President Oscar Luigi Scalfaro asked him to form a nonpartisan government in the wake of Berlusconi's resignation, Dini set up a technocratic cabinet and a clearly defined agenda to lead Italy out of its latest political debacle. He has carried out the bulk of his four-point program—a supplemental budget, new rules for local elections, media antitrust legislation, and pension reform—and faced down an aggressive political challenge from Berlusconi. Dini, whose government took on a more partisan alignment when he used a center-left-supported confidence vote to pass the supplemental budget in March 1995, gained a boost from the left's unexpectedly strong showing in regional elections in April. Dini says that he expects his pension reform legislation—the remaining peg of his program and the centerpiece of his administration—to be approved despite Berlusconi's likely resistance.

1.4c, 1.4d

Dini's persistence and the center-left victory in the regional contest have deflated Berlusconi's bid for an early election, which he had sought in June 1995 to reaffirm the mandate he says he won in March 1994. Dini told an Italian interviewer [redacted] 1.4c, 1.4d that he expected the election to take place in November 1995. [redacted] 1.4c, 1.4d, 3.5c

### International Economics and Banking Specialist

Dini brings a lifetime of economic expertise, including 20 years at the IMF and more than a decade as the number-two official at the BOI, to the task of sorting out Rome's finances; his decision to keep the Treasury portfolio emphasizes his hands-on approach to economic policy. While he was Berlusconi's Treasury Minister [redacted] 1.4c, 1.4d [redacted] consistently argued for tight controls on spending. At the same time, Dini publicly opposed the supply-side ideas of some of his cabinet colleagues and rejected massive tax cuts. As Treasury Minister and as premier, he has highlighted job creation and privatization as Rome's long-term economic priorities. [redacted] 3.5c

1.4c, 3.5c

(continued)  
LP 95-105750  
5 June 1995

1.4c, 3.5c

Before joining the Berlusconi government, Dini had served as director general of the BOI since 1979. He also served as vice president of the Bank for International Settlements, a board member of the Italian exchange office, a member of the IMF Group of 10, a governor of the Asian Development Bank, and a member of the EC's Monetary Policy Committee. Dini spent most of his IMF career in the African Department, where he helped developing countries establish financial institutions and solve monetary problems.

3.5c

1.4c, 1.4d

1.4c, 1.4d, 3.5c

**Personal Notes**

Dini was born in Florence on 1 May 1931. He earned an economics degree from the University of Florence in 1955, and, after studying in the United States, he briefly taught at the Universities of Florence and Rome before joining the IMF in 1959. He has published numerous articles on economic and fiscal policy in Italian and foreign periodicals. Dini enjoys photography and tennis, and, when in Washington, he likes to attend Redskins games.

1.4c, 1.4d he speaks excellent English, as well as French and Spanish. Dini's second wife, Donatella Zingone, runs the Zeta industrial group in Costa Rica, according to the press. 1.4c, 1.4d press reports say that Dini has a daughter from his first marriage and that his wife has two children from her first marriage. 3.5c

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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029. report	Biography [partial] (2 pages)	06/05/1995	P1/b(1)
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### COLLECTION:

Clinton Presidential Records  
National Security Council  
Executive Secretary  
OA/Box Number: 2586

### FOLDER TITLE:

The Participation of President Clinton at the Halifax Economic Summit, June 15-17,  
1995 [Briefing Book] [2]

2016-0136-M

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### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]  
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PRM. Personal record misfile defined in accordance with 44 U.S.C.  
2201(3).

RR. Document will be reviewed upon request.

1.4c, 3.5c

**Susanna AGNELLI**  
(Phonetic: ahnYELLee)

*Minister of Foreign Affairs*  
(since January 1995)

*Addressed as: Madam Minister*

Veteran politician and foreign policy specialist Susanna Agnelli is probably the best known figure in Prime Minister Lamberto Dini's low-profile, technocratic government. The sister of Fiat magnate Gianni Agnelli, Susanna Agnelli began her political career as mayor of an exclusive Tuscan seaside resort during the mid-1970s and went on to become one of the most prominent women in Italian public life, serving as a senator, Ministry of Foreign Affairs (MFA) official, and member of the European Parliament. [redacted] 1.4c, 1.4d

Agnelli traded political pursuits for full-time charity work in 1992. [redacted] 1.4c, 1.4d until she joined the Dini government, she spent most of her time in Rome's main railway station helping the homeless. [redacted] 3.5c

[redacted] 1.4c, 1.4d, 3.5c

**Looking Across the Atlantic**

Agnelli's record and comments suggest that she supports Rome's traditionally strong Atlanticist orientation. [redacted] 1.4c, 1.4d

[redacted] 1.4c, 3.5c

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2016-0136-M (1-55)  
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[redacted] 1.4c, 1.4d She lived in New York City for several years during the 1960s and early 1970s, and during the 1980s she worked on North and South American issues as an under secretary at the MFA. According to a profile published in *The New York Times* in 1983, it was the wife of a prominent US Senator, with whom Agnelli socialized when she lived in New York, who initially urged Agnelli to consider a public career. [redacted] 3.5c

Agnelli has not hesitated to voice Rome's unhappiness over Italy's exclusion from the Contact Group on the former Yugoslavia. She told Italian journalists in May 1995 that Italy's exclusion was a "terrible mistake," adding that the crisis in Bosnia "is too far removed from the United States and too close to Europe." She suggested that new European institutional mechanisms are necessary to deal with such situations. [redacted] 3.5c

**Ugly Houses and Plain Talk**

Agnelli says she also was prompted to begin her political career by the prolific construction of what she labeled illegal, ugly real estate in Monte Argentario, where she ran for city council member in the early 1970s and then mayor, serving until 1984. Agnelli, who was affiliated with the small, centrist Republican Party (PRI), was elected to the Chamber of Deputies in 1976 and 1979 and to the Senate in 1983 and 1989. She served in the

1.4c, 3.5c

European Parliament during 1976-78. When she left politics in 1992, she also broke with the PRI over what she perceived as its drift to the left and because of a personal conflict with its then chief, Giorgio LaMalfa. She told an interviewer at the time, "Giorgio is unique. He is the only person I know who does not like to be liked by others."

3.5c

Agnelli, who has served on the boards of the Rockefeller Foundation and the Harvard School of Education, has remained active in public service in Italy since 1992. [redacted] 1.4c, 1.4d in addition to her work with the homeless, she chairs a telethon-style organization that uses major television stations and banks to raise funds for muscular dystrophy and other disorders. [redacted] 3.5c

#### Life and Times

Agnelli was born on 24 April 1922 in Turin. She holds a law degree, and she worked early in her career as a writer and journalist. She speaks

English and French. In 1975 she published an autobiography, *We All Wore Sailor Suits*, which describes her legendary industrialist family and was a best seller in Italy. Divorced in 1971 after 30 years of marriage, Agnelli described the experience to *The New York Times* as "very, very difficult, something you only do once in life."

1.4c, 1.4d

[redacted] she has six grown children scattered around the world, including a son who heads Fiat's Argentina subsidiary, a daughter who formerly was married to Italian Senate President Carlo Scognamiglio, and another daughter who lives in New York and is married to a son of movie producer Carlo Ponti's. (Ponti's wife is actress Sophia Loren.) An Italian magazine article reported in 1994 that Scognamiglio is still close to his mother-in-law. Agnelli has several grandchildren. [redacted]

1.4c, 1.4d, 3.5c

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## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
030. report	Biography (2 pages)	06/06/1995	PI/b(1)

### COLLECTION:

Clinton Presidential Records  
National Security Council  
Executive Secretary  
OA/Box Number: 2586

### FOLDER TITLE:

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
031. report	Biography (2 pages)	05/19/1995	P1/b(1)

### COLLECTION:

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Executive Secretary  
OA/Box Number: 2586

### FOLDER TITLE:

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1995 [Briefing Book] [2]

2016-0136-M  
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## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
034. report	Biography (2 pages)	06/02/1995	P1/b(1)

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**COLLECTION:**

Clinton Presidential Records  
National Security Council  
Executive Secretary  
OA/Box Number: 2586

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**FOLDER TITLE:**

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1.4c, 3.5c

**Masayoshi TAKEMURA**  
(Phonetic: tahkehmoorah)

JAPAN

*Minister of Finance (since June 1994);  
Chairman, Harbinger Party  
(since 1993)*

*Addressed as: Mr. Minister*

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2016-0136-M (1.61)  
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Masayoshi Takemura [redacted] 1.4c, 1.4d  
[redacted]  
[redacted] developed during his years as a bureaucrat, hometown mayor, and prefectural governor. Although he is only in his third-term in the lower house of the Diet, he has been a prominent political figure in two of the three governments formed since mid-1993, in part as head of the Harbinger Party. As such, Takemura can score points in Halifax by any success in addressing recent fluctuations of foreign exchange rates and their adverse effects on the global economy. According to the press, in late April he has advocated ongoing cooperation in interest rate policy and market intervention as short-term steps to help reduce the volatility of the international currency markets. [redacted] 3.5c

©

**Foreign Policy Views**  
[redacted] 1.4c, 1.4d  
[redacted] In his recent book, *Japan: A Country That Is Small But Sparkling*, Takemura wrote that the Japan Self-Defense Forces should limit their involvement in regional or international disputes to UN peacekeeping operations. In addition, he noted that Tokyo should contribute money, manpower, and technology to international initiatives to protect the environment and eliminate poverty. [redacted] 3.5c

According to the press [redacted] 1.4c, 1.4d Takemura has a reputation as an effective grassroots politician. [redacted] 1.4c, 1.4d he has won a considerable popular following [redacted] 1.4c, 1.4d [redacted] In addition, Takemura—who is known for his signature oversized, red-rimmed glasses—has been a star of Japan's Sunday morning political television shows. [redacted] 3.5c

As Minister of Finance, however [redacted] 1.4c, 1.4d press reports note that Takemura has encountered difficulties in exerting effective leadership over Japan's most powerful domestic ministry. He has come under attack from the press and opposition parties in recent months for supporting a controversial Ministry of Finance (MOF) plan to bail out two failed credit cooperatives at the center of a financial scandal, which involves politicians from both the ruling and opposition camps as well as senior MOF bureaucrats. [redacted] 1.4c, 1.4d [redacted]

[redacted] 1.4c, 1.4d  
[redacted] Takemura's reformist image was tarnished in early 1995 when the press criticized him for defending Finance Ministry

[redacted] 1.4c, 3.5c

interests at the expense of the government's pledge to streamline Japan's quasi-governmental special corporations. 3.5c

### Key Coalition Figure

Takemura and his party have been at the vanguard of the political realignments that have taken place in Japan since the end of Liberal Democratic Party (LDP) rule in mid-1993. After bolting the LDP with a group of 10 reform-minded Diet members, Takemura joined the anti-LDP coalition and served in the key posts of Chief Cabinet Secretary and spokesman for Prime Minister Morihiro Hosokawa (August 1993–April 1994). According to press

1.4c, 1.4d

Takemura left the Hosokawa coalition because of a rivalry with Ichiro Ozawa, now secretary general of the opposition New Frontier Party. As leader of the small but influential Harbinger party, Takemura played a key role in bringing together the longtime rival LDP and the Social Democratic Party to form the current three-party coalition government. 3.5c

### Generally Open to Reforms

Despite Takemura's opposition earlier this year to streamlining public corporations, his support over the years for reforms in diverse fields suggests that

1.4c, 1.4d

he is 1.4c, 1.4d receptive to new approaches to doing the government's work. In 1988, as a member of the lower house, he organized the Utopia study group, a gathering of politicians from several parties who strongly argued for political realignment. Takemura later formed another study group with opposition party and union leaders that became a forerunner to the Hosokawa coalition. 1.4c, 1.4d

Takemura's credentials as an advocate of broad

political and administrative reform were particularly strong when he was in the Hosokawa administration. He was instrumental in pushing the passage of the political reform bill through the lower house in late 1993. 3.5c

Early in his career, Takemura promoted numerous proposals for reform that had grassroots appeal. As Governor of Shiga Prefecture during 1974-86, he tackled environmental issues in his district and advocated the decentralization of Tokyo's powerful bureaucracy. In recent years he has remained near the forefront of the politicians calling for moving at least some elements of the national government from Tokyo. 3.5c

### Background and Personal Data

Takemura, the second son of a farmer, was born on 26 August 1934 in Yokaichi City in Shiga Prefecture. He lost his father at an early age and was separated from his brother and three sisters when he was sent to live with his uncle for a time. After spending a year at Eigenji Zen Buddhist Temple, he attended the University of Tokyo, graduating from the Education Faculty in 1958 and the Economics Faculty in 1962. That year he entered the Ministry of Home Affairs. He was elected mayor of Yokaichi in 1971 and Japan's youngest governor in 1974. In 1986 he won election to the Diet's lower house as an independent and joined the LDP. 3.5c

Takemura speaks limited English. He is an enthusiastic bicyclist—he used to campaign on bicycle when he was younger—and also enjoys swimming and practicing karate. His wife, Chizuru, is a dentist. The Takemuras have a son and a daughter. 3.5c

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
036. report	Biography (2 pages)	05/22/1995	P1/b(1)

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**COLLECTION:**

Clinton Presidential Records  
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OA/Box Number: 2586

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# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
038. report	Biography (2 pages)	06/06/1995	P1/b(1)

### COLLECTION:

Clinton Presidential Records  
National Security Council  
Executive Secretary  
OA/Box Number: 2586

### FOLDER TITLE:

The Participation of President Clinton at the Halifax Economic Summit, June 15-17,  
1995 [Briefing Book] [2]

2016-0136-M  
kh1786

### RESTRICTION CODES

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

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042. report	Biography [partial] (2 pages)	05/18/1995	P1/b(1)

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National Security Council  
Executive Secretary  
OA/Box Number: 2586

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1.4c, 3.5c

**Vladimir Georgiyevich PANSKOV**  
(Phonetic: pahnSKOFF)

**RUSSIA**

*Minister of Finance (since November 1994)*

*Addressed as: Mr. Minister*

DECLASSIFIED IN PART  
PER E. O. 13526

2016-0136-M (1.68)  
2/27/2017 KBH

Vladimir Pankov, a financial expert, became Russia's sixth finance minister in three years during the prolonged cabinet shuffle that followed the ruble crash in October 1994. While some Russian observers publicly voiced dismay at his appointment—Pankov had been a high-ranking Soviet official and was imprisoned in 1993 on corruption charges—market reformers generally have praised him openly as a “sound professional” and defender of a tight budget.



©

1.4c, 1.4d

Pankov has repeatedly professed publicly his commitment to his profession and to public service: he explained to an interviewer in January 1995 that he had accepted his post because “I simply missed interesting work.” Pankov is the financial sous-sherpa for the G-7 summit.

1.4c, 1.4d, 3.5c

1.4c, 1.4d, 3.5c

1.4c, 1.4d

Premier Viktor Chernomyrdin, who has declared openly that his ministers should be “qualified specialists” in their fields, probably welcomes Pankov's expertise and lack of overt ties to political parties.

1.4c, 1.4d

Pankov enjoys a good reputation with leaders of the Duma's budget committee, on whose staff he briefly served during early 1994. The committee's chairman and deputy chairman—both market reform economists—have supported him in his role as Minister.

1.4c, 1.4d

3.5c

#### Career and Personal Data

Pankov spent most of his career in the USSR Finance Ministry. After beginning as an economist in 1965, he rose through the ranks to become a first deputy minister in 1987. In that capacity, he

1.4c, 3.5c

(continued)  
LP 95-105181  
18 May 1995

*The Corruption Case*

*Panskov was arrested in February 1993 after a seven-month probe into corruption allegations, but his case was dismissed for lack of evidence. Russian press reports say the case included charges that he had purchased a car for his son at the government rate and had inappropriately given tax information to a firm that had hired and paid his daughter to translate documents. After his release from prison in July 1993, Panskov publicly denied any wrongdoing.*

1.4c, 1.4d, 3.5c

*Immediately before Panskov's appointment as Finance Minister, the Russian press claimed that the head of the counterintelligence service and the acting general prosecutor recommended in a note to President Boris Yel'tsin that he not name the "dishonest" Panskov to the job. The media further alleged that the prosecutor's office was considering reopening the case*

1.4c, 1.4d

*At his first press conference as Minister, Panskov said that the earlier investigation had "fully rehabilitated" him and that he was assuming his duties "with a clear conscience."*

3.5c

served briefly as a deputy to then Minister of Finance Valentin Pavlov (one of the coup plotters in August 1991); Russian press reports claim their

relationship was "stormy." Panskov supervised the Ministry's budget department while serving as a deputy minister, according to press reports. He left the Ministry in 1990 to join the staff of then USSR President Mikhail Gorbachev. After the breakup of the Soviet Union, Panskov became a first deputy chief of the new Russian State Tax Service. He was imprisoned during the first half of 1993 on unproven corruption charges. In early 1994 he joined the staff of the budget committee of the newly elected State Duma, but he left in May of that year to become deputy head of the finance and budget department in Yel'tsin's apparatus. Panskov was named a nonvoting member of the Security Council in January 1995;

1.4c, 1.4d, 3.5c

Panskov was born on 18 August 1944. He graduated in 1965 from the Moscow Financial Institute—the country's premier school for banking and finance—and holds a doctor of economic sciences degree (roughly equivalent to a US postdoctorate). He traveled to Sweden in 1989 for a "crash course" in stock markets,

1.4c, 1.4d

He also visited Japan in 1991 as part of an advance team for a visit by Gorbachev. Panskov collects coins. He has said publicly that he reads the works of Anton Chekhov or detective stories to relax after work. Panskov was hospitalized during February 1995 for treatment of an ulcer, according to press reports. He does not speak English. Panskov has a grown son and daughter.

3.5c

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