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since I've always been kind of an underdog, I like it when the underdogs do well. I'm proud of us.

Mr. Walther. Thank you very much.

The President. Thank you.

NOTE: The interview began at 12:20 p.m. in the Oval Office at the White House. This is a continuation of an interview that was released by the Office of the Press Secretary on July 1 and published in last week's issue. This portion of the interview was embargoed for release by the Office of the Press Secretary until July 4.

Interview With Foreign Journalists

July 1, 1994

Italian Government

Q. The first question, obviously, is about Italy. You were in Italy a few weeks ago. I saw you on the Campidoglio with your wife, a beautiful evening. And you spoke with the new Prime Minister, Mr. Berlusconi. So my question is, how is your sense about Mr. Berlusconi and his policy and the implementation of his policy—the first new government in Italy?

The President. Well, my sense was that he had given a lot of thought to what he wished to do and that he was bringing a great deal of energy to the task and that he was determined to pursue a course of economic revival for Italy and to maintain a strong democratic tradition and that, in terms of our relationships, that the traditional strong relationship between the United States and Italy would be maintained vigorously. That was my impression.

Bosnia Negotiations

Q. May I follow up with a question that connects to Italy very quickly? It's Yugoslavia. We are in the front line. And one of the first requests of the government of Italy, Mr. Berlusconi's government, was to let Italy get in the contact group that's working in Geneva. Do you think this request will be evaluated, accepted, on what?

The President. I don't know. Let me say first, I think that Italy should be very closely consulted about all developments in Bosnia and in the former Yugoslavia. I think the question the contact group has to face is, how many more people could be let in? In other words, if the membership were expanded, would every country that has troops there—Canada has troops there, would they have to go into the contact group? Would other countries that border the former Yugoslavia and have intense interests there—Turkey is sending troops there—have to be put into the contact group? Or is there some other way to involve Italy closely in the policy-making without doing that? That I think is the question.

Q. Thank you.

Canada-U.S. Trade

Q. Excuse a parochial question, but as you know, we've had two trade agreements in the last couple of years between Canada and the United States. And yet, our trade problems seem to be deteriorating, if anything, over softwood lumber and wheat and now Pacific salmon, so much so, that our Trade Minister, Roy MacLaren, has warned of a trade show between our two countries. And even your Ambassador to Ottawa has criticized U.S. actions on wheat. Do you think the time has come for you to become personally involved on this issue before it deteriorates much further? Or is the U.S. view that Canada is an unfair trader?

The President. Well, I think that's not the only two options. First of all, keep in mind, this is the biggest bilateral trading relationship in the world, as far as I know. It's certainly our biggest trading relationship. It's a huge, huge relationship. And in one that big, it should not be surprising that there would be some frictions from time to time.

In all three areas that you mentioned, you have people engaged in the same economic activity, living very close to each other under different government policies and frameworks. That's true with lumber, that's true with wheat, and it's true with salmon.

Now, our problem with the whole salmon issue, of course, is complicated by the whole question of the size of the population and what the future of it is. And I think there are—I really believe there are ways for us to work that out. I believe that problem will be worked out. And I have talked to our people about it; I think we're all working very hard on that.

The timber disputes are of longstanding and recur from time to time, as you know.

Q. Eight years, I think.

The President. And I think—I think we have to let that one play out through the regular course of events.

With regard to the wheat issue, I think the question there—it's been referred for dispute resolution, and the ordinary process may resolve it. The real problem there is that the U.S. and Canada need to agree somehow on what does or doesn't constitute a subsidy. I think we need some general agreements that might solve the wheat problem and some other problems as well.

But I think it's important that we not overreact to this. It's a very big issue here. I mean, our wheat farmers in North Dakota are on the verge of hysteria all the time. They think they've been treated unfairly. And in Congress, there are Representatives from certain States for whom this is the only issue because they think they've been treated unfairly. So I'm trying to work it out. We don't have any bilateral relationship where we have more in common and where we tend to work more together. I mean, Prime Minister Chrétien has worked with me very closely, and the Canadian Government has always worked with the American Government on everything from issues in the U.N., with problems in Haiti, our policy toward NATO, the whole range of issues. And as far as I know, these are the only three disputes we have, and we're trying to work through them as best we can.

Decline of the Dollar

Q. Mr. President, the dollar has known quite a rough ride on the currency markets these recent weeks, giving the impression that your Government didn't want to do anything about it. Do you think a weak dollar is good for the American economy, maybe for trade purposes? And if not, do you intend to do or say anything about it? And do you expect the G–7 meeting to take some resolution about that?

The President. I expect it will be discussed. But let me answer the question. No, I don't think it's good for the American economy to have—or let me put it in a more affirmative way. The United States is not trying to grow its economy on a weak dollar. We do not believe a country can devaluate itself into prosperity.

On the other hand, these currency markets are subject to significant fluctuations. And great care should be taken before unusual actions are taken, it seems to me. And it is, I think, in the end, over the longrun, the markets tend to align with market realities.

When I became President, we had been exploding our Government deficits for 12 years. Investment was down; job growth was down. And we decided to change our policy so that the American economy would be stronger in the global economy and so that ordinary Americans would be better off. We have cut hundreds of billions of dollars in Government spending. We have slashed our—we are slashing our work force in the Government by about 12.5 percent, to make it the smallest it has been in three decades. We are targeting investments to areas of economic growth, like education and training and technology. And we have given certain tax incentives to small businesses, new businesses, lower wage workers.

The impact of all this has been that, as I leave for the G–7, in the last year and a half, the U.S. has 40 percent of the GDP of the G–7. But we've had 75 percent of the growth and almost 100 percent of the new jobs. Our exports and our rate of investment are growing higher—more than the average in the G–7. Our rate of productivity is growing more than the average of the G–7 countries.

So I believe the best answer to this over the longrun is a strong American economy. Transitory political developments in various countries may explain what's going on. There may be a lot of other explanations. But the main thing is, I do not wish—I don't take the weakness of the dollar lightly against any currency. I do not want the dollar to be too low. I am not trying to expand the American economy through a low dollar. No country has ever devaluated itself into prosperity. The United States wants to grow into prosperity, to trade into prosperity, not to devaluate itself into prosperity.

German Leadership

Q. Mr. President, you're also going to Germany after the G–7 summit. And Germany is more or less emerging as perhaps the European leader. And on the other hand, a lot of Germans are very reluctant to claim this role for their country. What is your wish and your perception of Germany in the future? Will it be the European leader? And would you be prepared to offer a partnership in leadership as your predecessor, President Bush, did?

The President. Well, I think we do have a very good partnership with Germany. Mr. Bitterlich was quoted in the Wall Street Journal today about the strong support our administration had given, stronger than previous ones, to European unity and to the European defense capacity and to greater strength and unity within Europe. Germany has strongly supported that.

Of course, it's up to the German people and to the leaders of Germany to determine what role will be played and then up to the partners that you have within Europe. But I think that Germany has a major role to play in the future in world affairs, has a strong role to play in Europe.

I support what I take to be the policy of Germany, which is support for increasing European integration and increasing efforts to reach out to the East. And I feel very comfortable with that.

Q. But you're not really into endorsing partnership in leadership, do you?

The President. As I already told you, Mr. Bitterlich said that we had a better partnership than you had before. So, you have to define what your role is going to be. It's not up to the United States. I don't see how Germany can walk away from a leadership role. You have the third biggest economy in the world. You have a huge population. You have absorbed the East, and you've managed to keep your economy strong, with all the incredible demands. You've played a very constructive role in a lot of United Nations activities.

So, I think you have no choice but to play a leadership role. It isn't an option. You've been by far more generous than any other country in investing to your east. I think that it's not even an option to talk about a world in which Germany doesn't play a leadership role. You can't withdraw from your responsibilities. Even if you sought to, the vacuum that would be created would require you to move ahead again.

But the point I want to make is exactly how these relationships will be—will work themselves out in Europe, for example, is a matter for the Europeans to determine. France has, for example, recently has played a very strong role along with Britain in Bosnia, providing the bulk of the UNPROFOR troops. Canadians have made a major contribution. France recently took the initiative to go to Rwanda, and the United States supported the United Nations giving an approval for France to send troops there to do that until we could put together an African force, that is, a U.N. force.

I think that there will be many variations of leadership in the years ahead. But one thing that I am sure of is that the size of the German economy and the values that have been demonstrated by the German leadership guarantee that there will be a leadership role for Germany and that it will be a positive thing for the rest of Europe and for the world.

Japan-U.S. Relations

Q. The relationship between the United States and Japan is facing a little bit of difficulty. Trade conflict has caused turmoil of the currency market, and so-called framework talks have restarted but have not reached any agreement yet. Under those circumstances, Mr. Murayama, Socialist leader, was elected Japan's next Prime Minister, and you are going to meet him for the first time in Naples. Mr. President, how are you going to manage with Japan's new government and reestablish a good relationship of both countries?

The President. I had a good talk with him last night. I called him last night. And we had a very good visit. We reaffirmed our commitment to our relationship, our security partnership, our political partnership, and our economic partnership. And Mr. Murayama said that he hoped we could continue to make progress in the frameworks. If we'd both make our best efforts, he thought we could.

It is difficult, I think, to expect to have too high expectations for what has happened in the last several months because of all the political changes which have occurred within Japan. But I think we have continued to work along together. I think the important thing I would say—it's sort of like the argument I made to the gentleman from Canada. If you look at the relationship the United States and Japan—our troops are still there. Our military partnership is very strong. We worked as one to try to defuse the crisis in North Korea with regard to the North Korean nuclear program. I did everything I could to make sure that every step along the way, everything I did was coordinated closely with not just South Korea but also with Japan. Because of that and because—to get to the next question—our continuing strengthening relationship with Russia. We had good relationships with Russia during this period. We were able to reach out to the Chinese. But it worked because of the historic ties we have had.

So again, I would say that it's very important not to let trade disputes or any other disputes that are inevitable in a world where the economy has been growing slowly and where competition is stiff and where we have not yet solved the problem of how wealthy countries promote growth and new jobs in a highly competitive global economy, these things are going to happen from time to time. The important thing is to be able to absorb them and just deal with them in a disciplined and regular way and not let the other aspects of the relationship get out of hand.

And that's what I hope will happen. I mean, the United States and Japan have had some serious differences over trade. But they haven't interrupted rather an enormous bilateral investment and trade relationship and a deep political partnership. I think the Emperor and Empress, on their recent trip here, were deeply moved by the friendship and the intensity of the friendship for them and for the Japanese people that were demonstrated by the Americans. So I think the feeling in this country about Japan is as strong and as positive as it has ever been.

And you know, you're going through a period of political change. You have to work that out. That's what democracies do from time to time. Nothing is ever stable forever. You know, things change. And so, as that—the whole yen-dollar relationship may be in part a product of the perception that maybe things won't change quickly enough because of political conditions. But I think what we have to do is to reassure people that you've got two strong economies here, that these things will work themselves out if we just have the discipline to do it.

Central and Eastern Europe

Q. Mr. President, your first stop will be in Riga, and it's going to be a real and joyful celebration of independence. Many Latvians, as well as many Russians, were humiliated by the—[*inaudible*]. And we are really happy that these countries are now independent. The real, very hard question among the former Soviet people—recent developments show and especially the Presidential races in Ukraine and Belarus show—a lot of people stand for much closer cooperation with Russia. So can you, sir, envision any kind of democratic and legal reunification of some of the former Soviet republics—newly independent states—without causing a threat to Central European countries, to Baltic countries, to Europe, to national interests of the United States and all of the world? Thank you.

The President. I think that that depends upon whether such decisions would be made really voluntarily and by will of a majority of the people. That is, I sense, particularly—and I've been to Belarus, so I have a feeling for that. I've also been to Ukraine, but I've not spent as much time. It's a very large country, and there are many different layers and opinions there. But I think that it depends upon whether such movements would develop out of a genuine democratic movement and a free will of the people involved.

I have to say that, from my point of view, the policies that President Yeltsin has pursued in the Baltics are very reassuring. As you know, the Russian troops have withdrawn from Lithuania, that we're very close to resolving the final matters in Latvia. There are still a few issues left in Estonia. The United States strongly supports the protection of Russians who remain in the Baltics and the whole issue of minority rights. It's a very big

issue for us and our country and throughout the world.

But I think the feeling in Central and Eastern Europe about the intentions of Russia is probably more positive now than it was even 6 months ago. And the steadfastness of Russia in continuing to move its troops out of the Baltics is a major part of that. So that if there is a truly independent political development in Belarus, for example, that says, you know, we think we'd be better off if we had some sort of different relationship with Russia, that, I think, will depend on what actually happens. I mean, the people of Central and Eastern Europe will know if some new development occurs. I think they will know in their hearts and minds whether it was a grassroots, honest, democratic impulse. And that will be the test.

European Unification

Q. Mr. President, the British Government finds itself once again in a familiar position in Europe, i.e. in a minority of one, on the issue of vetoing the new candidate to head the European Commission. When you talked earlier about your desire for European integration, is that the same thing as supporting a federal Europe along the lines proposed by the Germans and the Belgians and the French? And do you think the British are being unnecessarily skeptical about the creation of a federal European state?

The President. I don't know that I have an informed opinion about that. I mean, I think that, again, I think that each of you are sovereign nations, and you will have to make up your mind about what you think is in your national interest. It is my—the only thing I can tell you is that the United States has viewed as in its national interest an economically integrated but open Europe. That is, the fact that Europe would become stronger and more economically integrated, not only through the European Union but also reaching out to the East, we have not viewed as threatening. We have viewed that as positive, because I think that we have to find ways to add wealth to the world's economies every year, to add to the growth rate.

We also have not viewed with alarm, at least in my administration, the prospect that there could be greater European security cooperation between the French and the Germans and between others as well. But we are willing to continue to be partners through NATO.

Now, how far you should go with your political integration is just a decision you will have to make. And we don't have views about that one way or the other except to say we are not threatened that you wish to be closer together in economic or military or political ways. That doesn't threaten the United States. We feel a stronger Europe makes for a more democratic and a stronger world. But you will have to make up your mind about the politics of it. It's not for us to say whether you're right or wrong. It's for you to say.

North Korea

Q. Mr. President, you are going to start high-level talks with North Korea. Which do you prefer, the normalization of the relationship of both countries or the solution of nuclear suspicion, I mean especially—to which do you put—[*inaudible*]—weight, the so-called past suspicion or the current and future suspicion of North Korea?

The President. You mean with regard to the nuclear issue?

Q. Yes.

The President. Well, it's not so easy to divide them, because of the obligations North Korea undertook in becoming a member of the Non-Proliferation Treaty regime, because that means that North Korea has to be open to inspection by the IAEA for all its facilities from the day that it became a member, forward. I mean, if you asked me, am I more concerned about whether North Korea has one or two nuclear weapons or the capacity to make them now or whether they might make two dozen in the future, that's an easy question to answer. I'm more concerned about two dozen than I am one or two.

But in the—when you become a member of one of these international organizations and you assume the responsibilities of membership, then you have to honor those responsibilities. In terms of reunification and normalization of relations, all those things, those things will have to be worked out partly between the north and the south, and I am elated that they are going to meet. I think

that's a good thing, the leaders of the two countries.

But we will begin our discussions first on July 8th. And what we hope to do is to find ways to broaden this debate because really what this is about is, even more than the nuclear weapons, is what role will North Korea assume in the future? What is the vision of the leaders of North Korea for that nation at the turn of the century or 20 years from now? Should it be an isolated country that makes money from selling No Dong missiles and low-level nuclear materials? Or should it be a country that is in harmony with its neighbors and friends, using the industry and ability of its people to strengthen trade and commerce and the personal development of its people?

To me that's an easy question to answer. If there is no threat to North Korea's security, if we mean them no ill, if Japan, if South Korea, if Russia, if China, if all of its neighbors wish to be partners in a more open world, and if the United States has that wish, then surely we should be able to work this problem out. That is my hope and my objective.

World Cup Soccer

Q. Mr. President, thank you. The last question is, who's going to win the World Cup, except the U.S.? [*Laughter*] I know that your daughter plays soccer.

The President. Yes. Well, if I take a position on that—you know, every time I take a position at home, I make a few million people mad. Now, if I take a position on that, I will make billions of people angry.

Q. [*Inaudible*]—chance.

The President. That's right. I have quite enough——

Q. [*Inaudible*]—in the world——

The President. I have quite enough controversy without that. I'm still pulling for the United States, you know. I like the underdogs when they fight. And we—this is the first time we've ever made the second round, I think.

Q. Yes, it's the first time in history.

The President. Yes. And we didn't want to be the first host team never to make the second round. And we're playing better than expectations. So I'm going to keep cheering for the U.S. until we're eliminated.

NOTE: The interview began at 12:55 p.m. in the Oval Office at the White House. In the interview, the President referred to Joachim Bitterlich, director of the foreign policy, development aid, and security policy division, Federal Chancellery of Germany. This interview was embargoed for release by the Office of the Press Secretary until July 4.

Remarks on Independence Day

July 4, 1994

The President. Hello. Happy Fourth of July. Let me just say, part of this wonderful celebration—can you hear?

Audience members. Yes.

The President. Part of this wonderful celebration is music, fireworks, family, friends, no speeches. But I just want to welcome you here tonight and say what an immense pleasure and pride it is for Hillary and for me to have you here. We hope you enjoy the fireworks. We're proud to have you here on the grounds of your house and hope that you feel it is your house.

And let me just say one little thing seriously. Every Fourth of July, I try to take a little time to think about what this country means in a special way. And today, I finished a biography I've been reading of our second President, John Adams. He's the first person who ever lived in this house, in 1800. He died on the 50th anniversary of our Declaration of Independence, on July the 4th, 1826, the same day President Jefferson died. They were great friends. And they died, on the same day, as they had lived: loving this country. And what I want to ask all of you to think about is what we can do to make sure that this country's still here 200 years from now. That's our job.

Thank you. God bless you. Have a great night.

NOTE: The President spoke at 9 p.m. on the South Lawn at the White House.