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THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: President's Meeting with President
Jose Sarney of Brazil (S)

PARTICIPANTS: U.S.
The President
James A. Baker III, Secretary of State
John Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Marlin Fitzwater, Assistant to the President
for Press Relations
Robert Zoellick, Counselor-Designate of the
State Department, Notetaker
Sophie Purson, Interpreter

Brazil

President Jose Sarney
Roberto Costa DeAbreu Sodre, Minister of
Foreign Affairs
Carlos Bueno, Ambassador to Japan
Ambassador Correa, Advisor to the President

DATE, TIME February 25, 1989, 11:00 a.m. - 11:30 a.m.
AND PLACE: American Ambassador's Residence, Tokyo, Japan

President Bush and Brazilian President Jose Sarney had a productive meeting of about thirty minutes on February 25, 1989, at the American Ambassador's residence in Tokyo. Most of the discussion focused on Brazil's economic recovery program and environmental issues. Sarney's two main points to the President were: 1) Brazil had no need for a new bridge loan from the U.S. at this time, and 2) Brazil and the U.S. should create a high-level commission to evaluate ways to avoid destabilization in Brazil and Latin America. (S)

The President began the meeting by telling President Sarney how pleased he was to see him again. The President told Sarney he was well aware of the problems with which Brazil was struggling, praised Brazil's courageous efforts, and said he was glad Sarney believed there was light at the end of the tunnel. The United States, he said, wanted to work with Brazil. (U)

The President explained that Treasury was reviewing the debt issue and that the administration was also reviewing many other

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foreign policy issues from scratch. The purpose was not to delay action, but to be certain of the most appropriate course. He wished they had more time to talk and asked Sarney to raise any subject he desired. (U)

President Sarney said he was glad to see the President again, especially in his new position. The U.S., he continued, was the guarantor of democracy and of economic and political freedom. The U.S. was Brazil's main partner and ally and its success was important, especially for Brazil. (U)

President Sarney said Brazil faced many problems. While he had only one year left in his term, the time should be well spent. Expectations were low in Brazil because its relationship with the U.S. had not been successful in recent years, so a positive agenda could have substantial effect. (Ø)

President Sarney recalled he had sent the President a message recently that Brazil and the U.S. needed a positive agenda. In the past, Sarney continued, the two countries had focused on negative matters. (Ø)

President Sarney noted that Brazil had needed to carry out an external adjustment after 1987 through agreements with commercial banks, the IMF and the Paris Club. Now it had normalized its economic relations. He said he had always thought Brazil must solve its problems in the international area, but it could not properly address its internal troubles because of the interdependent nature of the world. (Ø)

President Sarney explained he had resisted easy solutions in 1988 to prepare Brazil for economic recovery. Then in 1989 he launched new economic measures, despite their political cost, including rigid price, wage and tax policies. (Ø)

The President wondered if these policies would cause Sarney political difficulty at home. (Ø)

President Sarney said it was the price they would have to pay. But he believed Brazil was seeing the light at the end of the tunnel. The first results, he stated, were encouraging. (For example, the inflation rate was only 2 percent this month.) The IMF and World Bank were familiar with Brazil's economic plan. Brazil's need for external support for its internal efforts had prompted Sarney's letter asking for the President's support. (Ø)

President Sarney continued that he did not want to repeat the 1987 mistake (probably referring to the debt moratorium). Because of recent good economic results (reserves are up), Sarney said Brazil no longer needed the bridge loan he had discussed with the President. If circumstances changed, however, he might need to discuss the bridge loan again with the President. (Ø)

The President asked about Brazilian Congressional support for Sarney's economic plan. (U)

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President Sarney replied Congress had approved the core of the plan. (U)

The President said this was a credit to Sarney's leadership. He said he understood fully U.S. responsibilities in the world market, especially its fiscal policy. He stated the U.S. needs to reduce its deficit and that the administration was working more effectively than he had anticipated with the new Congress. If a budget agreement were reached soon, it could have a positive effect on interest rates. (U)

The President told Sarney the U.S. had a fundamental commitment to market economics and growth. He said Tony Motley, who has great respect for Sarney, had been in touch with him about Sarney's letter. The President said the U.S. had not intended to signal any appearance of neglect of Brazil and apologized for any delay. (U)

Noting recent journalistic interest in Brazil and the environment, the President wanted to assure Sarney the U.S. was respectful of its sovereignty. He also knew Sarney was well aware of the global warming issue. (U)

The U.S. did not want to lecture, or embarrass Brazil, the President continued, but instead wanted an open dialogue on global environmental concerns. He said he knew both of them were aware of mounting concern in the world about the environment. The President said he hoped Brazil and the U.S. could find ways to talk about the issue, perhaps at the expert level. The U.S. would act reasonably and would avoid any appearance of dictating its views. The U.S. did not claim to know all the answers, but wanted to get the subject on the table. (U)

President Sarney replied that he was personally concerned about the environment and had been since, as a Senator in 1972, he had attended an environmental conference in Stockholm. The challenge, he said, was to create an awareness of the importance of ecology. (U)

Brazil, President Sarney said, is entirely open to international scientific and technical cooperation on the Amazon; he explained there are currently more than thirty international missions working on the problem. He warned, however, that Brazil must protect its sovereignty and would not accept an internationalization of the region. Sarney argued that international public opinion is unaware of the facts about the Amazon. (He pointed out that the region's perimeter is five times the length of the U.S.-Mexican border and that region is five times the size of Texas.) (U)

The President said we wanted to remain in touch with Sarney on this issue. He asked Sarney to call him if he thought any U.S. officials appeared to be infringing on Brazilian sovereignty -- something the President said he would make sure would not happen. (U)

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And he pledged to continue to discuss environmental issues with Sarney. (S)

President Sarney told the President he had recently pointed out to a visiting U.S. Congressional delegation that we cannot let xenophobia or exaggerated nationalism develop in Brazil. According to Sarney, these negative feelings are a reaction to those who advocate formation of an international directorate to oversee Brazil's environmental problems. Environmental problems must be dealt with rationally. The government needed to inform people of environmental facts. They needed to exercise care because some leftist infiltrators had tried to exploit the problem for their political advantage. (S)

Secretary Baker inquired about the status of debt-equity swaps, adding that there was potential to reduce debt and help the environment through debt-for-nature swaps. This exchange could create conservation easements and reduce the debt burden while still controlling sovereignty. (S)

President Sarney pointed out his government had created three times more parks than in the entire history of Brazil, and said ten percent of the country's territory was preserved for Indians. He argued Brazil should not join debt and environmental problems together. (S)

In concluding, President Sarney said he would comment briefly on the broader debt issue, which needs to be dealt with seriously. In Sarney's view, debt is a large factor in destabilizing Latin America and is now a political and not an economic problem. Due to debt, democratic governments and people with democratic values couldn't find solutions to the problems they faced. This allowed leftists (no longer populists), Marxists of the Caribbean variety, to generate violence and take the offensive. Sarney reminded the President that leftist parties had achieved considerable success in the last Brazilian elections. Some leftists believe elections are a tactical tool -- not a strategic one; they really want power and are willing to use violence to get it. (S)

Finally, President Sarney said that a destabilized Brazil was tantamount to a destabilized Latin America. He said he would like to create a high-level commission to study this problem. (U)

The President responded the U.S. wants better relations with Brazil, and would not let its problems worsen through neglect. He pledged to look into the high-level commission proposal. (U)

President Sarney answered that 1989 would be an important year in Latin America, perhaps decisive for democracy, and that we must start now to avert greater problems later. (S)

The President underscored the need to reply quickly on all of these matters. (U)

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