

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: The President's Meeting with President
Desmond Hoyte of Guyana (U)

PARTICIPANTS: The President
Lawrence Eagleburger, Deputy Secretary of
State
John Sununu, Chief of Staff
Brent Scowcroft, National Security Advisor
Robert Gates, Deputy National Security
Advisor
Richard Melton, Deputy Assistant Secretary of
State for Inter-American Affairs
Theresa Tull, U.S. Ambassador to Guyana
David Pacelli, NSC (Notetaker)

President Desmond Hoyte
Cedric Grant, Ambassador to the United States
Halim Majeed, Principal Political Officer,
Office of the President

DATE, TIME June 19, 1989, 11:30 a.m. - 11:55 a.m.
AND PLACE: Oval Office

The President and President Hoyte chatted for five minutes about various subjects while the press took photographs. The President mentioned that he had missed Mr. Hoyte during his last visit to the White House because he had been out campaigning. (U)

The President began the meeting by welcoming President Hoyte, saying that he was pleased that Hoyte could come. The President asked if Hoyte had seen Secretary Baker yet. (U)

President Hoyte said no, but that he was meeting him this afternoon. (U)

The President said he wanted to throw the floor open to President Hoyte, and that he should be free to say what was on his mind. But he added that he first wanted to say that he had high regard for Hoyte's dealing with the economic situation in Guyana. He knew it was not easy. The President said he would like to get Hoyte's views, but for the moment he wanted to say that he supported Hoyte. (Z)

~~CONFIDENTIAL~~

Declassify on: OADR

~~CONFIDENTIAL~~

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
081 8/21/2009

The President also praised Hoyte's anti-narcotics stance, saying that we want to cooperate more. For a long time, people in South America used to look upon the problem as one of the United States being the consumer and themselves the producers. Now, the Latins recognize that they have a significant consumption problem themselves in their societies. The President said that he was hoping that we can confront this problem together; we are determined to do so. Any thoughts Hoyte might have on that subject were welcome. (Ø)

President Hoyte began by referring to his economic policies which were aimed at stimulating growth and a more open economic system. He said that his nation had recently concluded an agreement with the IMF and that he had prepared a budget message which incorporated the measures agreed upon in those negotiations. (Ø)

President Hoyte said that the economic plan was tough, and that it had facilitated subsequent renegotiations with the Paris Club. He mentioned that there had been some miscalculations by the IMF in its assessment of the effects of the massive devaluation which he carried out--the Guyana dollar was devalued 70 percent. The IMF had estimated that its effect on domestic prices would be about 53 percent, but they were actually closer to 200 percent. There had been a severe impact upon foodstuffs, and major strikes in bauxite and sugar, which happily were over. Now, things had been put back on track. (Ø)

President Hoyte also said that outside resources have not come as quickly as expected. In the first quarter, for example, he was expecting \$60 million in assistance. It was projected to have sound projects to help with the most vulnerable people, but they had not really started yet. Moreover, the strikes did not help. (Ø)

The President asked how the strikes had been settled and whether President Hoyte thought they worked out well. (Ø)

President Hoyte said that it did work out well, in his view. A settlement such as the strikers wanted would have contravened IMF ceilings, but he did not agree. No doubt, he said, everyone will have to sacrifice. In the end, the IMF accord has to reduce the standard of living, but this is absolutely necessary. (Ø)

The President asked for President Hoyte to review the figures he had given. (Ø)

President Hoyte complied, saying the exchange rate had gone from 10:1 to 33:1. (Ø)

The President asked what the result of that had been. (Ø)

President Hoyte said there had been about a 170 percent increase in prices. (Ø)

The President asked what factors had caused so much distortion. (Ø)

President Hoyte said that the Fund thought that there would be a ceiling. There always was a psychological aspect of this type of thing which should not be ignored. One good thing was the final result of the exchange rates, and the Guyana dollar had now stabilized versus the American dollar. Mr. Hoyte concluded by saying that his country needed to be more productive. But he hoped to be able to adjust some of the IMF targets and for the IMF to be more flexible. (Ø)

The President asked if the Fund conceded that its estimates were way off. (Ø)

President Hoyte said he did not know. He then brought to the President's attention two matters relating to the Fund's procedures. First, some ceilings which have been established tend to inhibit the process. He described how the Central Bank converts at a certain ratio, at the 10:1 exchange rate for example. Reynolds (Aluminum) is obviously looking to use the 33:1 ratio, but the Bank cannot give Reynolds that rate. Hoyte concluded by saying what he would like to see was some adjustment of the IMF program. (Ø)

The President asked if the Reynolds situation was a big deal, if large amounts of money were involved. (Ø)

President Hoyte said about 10 million dollars. He gave another example of an Italian firm that wanted to supply a new electrical system; all that is needed is a guarantee that the government would pay. Under Fund arrangements, Guyana could not put up the money, since it would be regarded as a liability. All we ask for is some adjustments, he said. Summing up, he stated that Guyana has a program; we have a demonstrated commitment; and we have a large number of countries in the Support Group. It is in Guyana's interest, of course, to seek aid, but it is in the wider interest of others that we succeed, he declared. (Ø)

The President said that President Hoyte had sent him a nice letter and that we are supportive of his efforts. There presently are restrictions on U.S. aid, as he understood Guyana was prohibited from receiving aid because of its arrears. But we are respectful of what you do, said the President, and very much appreciative of your tough decisions. He said that he hoped there would be ways in which we could be helpful. He knew that Hoyte would speak to Secretary Baker, and he would leave the details to the State Department and the technocrats. (Ø)

The President asked about the CBI, saying that he knew that Guyana was one of the newest members. The President said he had to confess his frustration with our difficulty in focusing on it. I want you to know, he said, that I have not surrendered, not one bit. He said that he hoped that we would have new legislation before too long. We will keep on trying on that one, he stated. (Ø)

The President returned to the subject of narcotics, saying it was not the position of the United States, with its problems, to lecture. But we did appreciate the strong stance by the Hoyte government on this issue. (Ø)

President Hoyte thanked the President, saying that it was a major problem that had to be addressed multilaterally. There was a rising incidence of crime in his country. (Ø)

The President said that it was sad that so many young people got involved with drugs. We have got to do a better job in education, he said, indicating that education was a priority in the American approach to solving this problem. The President cited how our cultural image had glorified drugs earlier--for example, through the movies--which was changing. (Ø)

President Hoyte observed that anti-narcotics enforcement was very costly. (Ø)

The President agreed, saying that we faced the same situation here. (Ø)

The President concluded by thanking Hoyte for the visit and hoping that he had a fruitful stay in the United States. (U)

President Hoyte thanked the President, and the meeting was concluded. As he was leaving, President Hoyte explained that he was going on to the Midwest to meet with representatives of companies that wanted to invest in his country. (U)