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THE WHITE HOUSE

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WASHINGTON

2 October 1989

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Virgilio Barco of Colombia

DATE, TIME AND PLACE: September 28, 1989, 5:45 - 8:00PM
Residence

PARTICIPANTS: The President
Richard Thornburgh, Attorney General
John H. Sununu, Chief of Staff
William Bennett, Director of National Drug Control Policy
Brent Scowcroft, Assistant to the President for National Security Affairs
Lawrence Eagleburger, Deputy Secretary of State
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs (Notetaker)
Thomas E. McNamara, Ambassador to Colombia
Lillian Nigaglioni (Interpreter)

Virgilio Barco, President of Colombia
Julio Londono, Minister of Foreign Affairs
Fernando Alarcon, Minister of Finance
Maria Mercedes Martinez, Director of National Planning Department
Rafael Munoz, Director of Anti-Narcotics, Colombia National Police
Victor Mosquera, Ambassador of Colombia to the United States
Leopoldo Villar Borda, Permanent Representative to the Organization of American States
Gabriel Silva, Advisor to President Barco
Ximna Casalino, Minister of the Colombian Embassy

The President: I'm pleased to welcome you to this house. There is great respect on the part of all Americans for what you are

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doing against the drug traffickers. I am eager to hear what you have to say. Your success holds the answer to our success. You should know that Ambassador McNamara is reporting daily both to State and here. I know the coffee agreement has cost you resources and I am prepared to talk about that. Again, welcome, and please proceed.

Barco: I do want to talk about the coffee agreement and the need to go to a new agreement. This is of great interest for us. There is a willingness to change behavior and we know it will have an impact on cooperation.

The President: Perhaps Larry Eagleburger can describe our position on the coffee agreement.

Eagleburger: The disagreement is primarily with Brazil and their reduction of coffee prices to countries outside the coffee agreement. The US and Colombia are in basic agreement. This dispute is not between us.

Alarcon: We have to solve the existence of two markets. In the formal negotiations, it is clear that some mechanism is needed to have the non-member countries observe the agreement. The US can be useful in getting other countries into this mechanism and establishing transitional rules. There are differences over the time period of the transition, whether it should be one or two years. But it is possible to work this out and I think Brazil will support such an effort.

The President: So where is the ball now?

Eagleburger: The agreement has lapsed. The issue is whether to bring the parties back together for negotiations. We have some domestic problems with this. A problem posed by the differentiation in price between those in the agreement and those outside it.

Alarcon: The second point is the quality of coffee sold to the US. The US has argued it does not get enough good coffee under the quota arrangement. When prices are high the quotas are adjusted according to some criteria. This problem can be worked out. There is a promising possibility of agreement.

Eagleburger: We will regroup and see what can be done.

Alarcon: At the negotiations in London the attitude of the US negotiator is quite positive and open. We expect something fruitful.

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Bennett: Mr. President I would like for you to hear their report on the war on drugs. I was encouraged by their briefing.

The President: We are very pleased to have your people here for these briefings.

Barco: Let me return to the coffee agreement. The President of the Coffee Federation is in London and things are going well. Things are working there.

Alarcon: We must continue pushing. You must be flexible in the negotiations. The key point is that we are sure an agreement can be reached. We simply must find the formulas.

Londono: The Colombian people think that the actions of the US on the coffee agreement led to this problem. It is important that people think the US has not broken the agreement. They must understand there is US support in this coffee fight. It is important to support for the war on drugs.

President: I understand. I like what I'm hearing; we will keep trying.

Londono: The price of Colombian coffee in the last three months has dropped from a \$1.46 per pound to \$.80. It constitutes half of our exports. Whereas there are very large farmers in Brazil, most of the coffee farmers in Colombia are small farmers. There are about 3 million of these farmers. If they do not work on coffee, they will work on coca. We must avoid the coffee planters going outside the coffee crop. It is important that the Colombian people understand they are not alone in this fight. We will lose \$500 million in coffee revenues. The US has given \$65 million for the drug fight and the contrast between these two is unpopular. You must understand the psychological impact.

Barco: I am grateful for your letter on the coffee problem. Colombia will maintain a flexible and constructive attitude to find solutions to these problems. We hope a middle ground can be found. The situation is serious. The International Coffee Organization estimates that the price of coffee will remain at the current level. Coffee producers worldwide will lose about \$3.7 billion in 1989-90. In Colombia this will be about \$500 million, 10% of our total exports. The collapse of the coffee prices means the loss of about 1% per year in economic growth and about 500,000 jobs. We are aware of what has to be done for an agreement. It is not easy. The US has taken an important step in moving the negotiations forward. We look forward to a positive dialogue. With good will and determination, we will succeed.

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Alarcon: Let me give you a quick roundup on the Colombian economic situation. The whole situation is one of uncertainty, of people's feelings affecting the economic performance. There is a slow down in tourism and trade with a negative impact. We are committed to a healthy economy, not just on coffee but with respect to Brady -- the flow of financial resources for Colombia and enhancements in trade discussed with Ambassador Hills. It is a pity to have a major economic slowdown. Now more than before, we must maintain a good balance. That is why we are so insistent.

President: I understand, especially the situation with respect to the small farmer.

Sununu: What is your marketing season?

Alarcon: Throughout the year. We have two coffee seasons, but we manage our crops to maintain a stable level of exports.

Sununu: But is one time of year more important?

Alarcon: Right now. The crops come in in October.

Silva: You need to understand that in Colombia, as in other countries, the loss of income will increase the pressure on the US for aid and assistance.

Barco: Our coffee affects 35% of the population.

Alarcon: I attended the IMF meeting and heard your speech. You addressed the important point of money laundering and that the industrial countries are fighting against this. It is important to us too. In the major financial centers, they smuggle cash to Colombia, where they change it to pesos to finance their operations. I was happy to hear you address this problem.

Scowcroft: The man in charge of tracking money laundering for our government is the Deputy Secretary of the Treasury. It is receiving high level attention.

President: The G-7 agreed to do more on money laundering during our meeting in Paris. I am very serious about cooperating in every way. We can tighten our intelligence cooperation and the Attorney General is looking at ways to tighten penalties. We have a crime package on the Hill that should have a salutary effect. We will follow up on any leads that you can provide us and visa versa. If there is any area in which we're not doing all we can, please contact our Ambassador. These people are very clever.

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Thornburgh: The first of the criminal defendants has now been returned to the US and it was a money laundering case. This is evidence of our determination to interrupt this flow.

President: How is the drug war going? Are we making headway? Are you optimistic?

Barco: We are beginning to show the terrorists and others that we can create big problems for them. They are losing control of areas. We are moving forward. The General here is in charge of this fight with a special group of national police. I will ask him briefly to explain the situation. The fight is a difficult one because of difficult topography. Everyday we improve our chances to get the heads of these groups.

Munoz: In the anti-drug struggle there are several new factors. We are very optimistic about the situation in the future. First, we have put all the resources at our disposal on attacking this problem. Second, we have given the authorities the legal tools to wage a more effective effort, for example the extradition decree. We have enhanced the powers of the judicial police. In some areas where the drug traffickers were operating freely, they are no longer doing so. Their former supporters are giving intelligence to the authorities. The problem is the long term struggle of weakening their support and the economic well being of these people. They had an infrastructure in place that allowed them to move freely, which they are still using. Although the problem is difficult, the struggle has the strong support of all agencies, law enforcement and friendly nations. We have had support from the US -- the Embassy and DEA have really cooperated enthusiastically, especially with respect to the exchange of information. They are enthusiastic and willing. We hope in the near future to resolve the situation.

The President: Listening to President Barco, if we could bust a major trafficker it would be a big step. Do you believe the three major traffickers are hiding in Colombia?

Munoz: Intelligence information confirms they are in Colombia, in the jungle moving around. They are limited in the areas they can cover. We are gradually making progress.

Barco: It is important to make clear that the population is losing its fear of providing information. The traffickers have much less backing from the population.

Sununu: Do you know where they are?

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Barco: More or less. They are in the jungle in the Magdalena River Valley. You know they had incredible houses, now they are having to move around.

Bennett: We are showing that they can be moved out.

The President: Can you sustain the extradition decree?

Barco: Let me show you the pamphlets we have had prepared.

Londono: The next days will be important in Colombia. We are waiting for the Court. It is listing about 15%. We don't know what the Court will do, but the whole country is waiting. It is difficult to go to our Congress to fix one law or provide one solution. At the same time, in the preamble of the Presidential campaign, the next days, will be important for Colombia as we determine what are the options for the government.

The President: Is just the US extraditing people, or are other countries?

McNamara: The Canadians have two possible indictments. The French have sentenced one man to 20 years. Neither has submitted requests for extradition yet. In essence, President Barco has replaced the extradition treaties with a single decree, an administrative mechanism for extradition which applies to all countries.

The President: So the Court may say that the decrees are not valid and then you have to go to the legislature?

Barco: Given the traffickers' power, it would be difficult for the Congress to approve such legislation.

The President: The congress is afraid?

Alarcon: The traffickers focus their attention on all those who would affect them and they can put pressure on individual congressmen.

Sununu: Is the problem with the Supreme Court fear or bribery or both?

Alarcon: They are always trying to bribe and if the bribes are not accepted they kill them.

Bennett: There are a number of articles in the law and decrees the court can cut and paste, pick and choose, which they which to keep and which they discard.

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Barco: You have a list of 10 to 15 congressmen that is a problem.

McNamara: President Barco is referring to the supposed existence of a list of congressmen by the Embassy who have been refused visas because of their involvement with the drug traffickers. This is not true. There is no list of those cooperating with the narco-traffickers.

The President: What do you mean cooperation?

McNamara: Knowingly accepting money from the traffickers. There is an indictment in the US against one member of the congress.

The President: So this is causing a problem?

Barco: Well, they won't vote for help for the anti-drug fight. They feel persecuted and unfairly accused.

The President: But if they are guilty, won't they vote for the narco-traffickers on the legislation anyway? It is difficult to say they are guilty. They protest their honor.

McNamara: This has a lot to do with the campaign atmosphere. It is useful politically.

Londono: There are difficult debates in the senate about "black lists". They will say that because of the blacklist they will act tough on the traffickers.

Barco: They claim the government has permitted these attacks on them. Well, we should discuss this.

Silva: It is important to maintain a consensus and it is fragile. We must avoid a fracture.

McNamara: We will work closer to minimize the importance of this.

Barco: They are playing for politics.

The President: Do you have time for refreshments?

(During refreshments, Munoz told Scowcroft and Gates that their specific needs for the anti-drug struggle were 15 additional helicopters so that they could open three more bases. He said that Bell helicopters would be best given their maintenance capability but these were obviously not the only ones they would accept. He said they also need radar to cover the eastern and southern part of country, the capability to intercept cellular

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telephone calls among the drug traffickers who are in hiding, and secure communications for themselves. On a drug summit, Londono told Scowcroft and Gates that they support a drug summit in principle, but are concerned that if only the three Andean countries and the US participate the rest of the world will feel that these four have accepted worldwide responsibility for the drug struggle and therefore not be as cooperative.)

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