

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President-elect Luis Alberto Lacalle of Uruguay (P)

PARTICIPANTS: The President
The Vice President
Nicholas Brady, Secretary of Treasury
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Lawrence S. Eagleburger, Deputy Secretary of State
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
Bernard Aronson, Assistant Secretary of State for Inter-American Affairs
Malcolm R. Wilkey, U.S. Ambassador to Uruguay
William T. Pryce, Notetaker

Luis Alberto Lacalle, President-Elect
Enrique Posadas, Senator-Elect/Political Advisor

DATE, TIME February 5, 1990, 11:15 - 11:45 a.m. EST
AND PLACE: The Oval Office

The President: Welcome to the White House. (Conversation during photo op not heard.) The President mentioned that the usual practice is not to answer questions shouted during photo ops and that the press will be waiting for President-elect Lacalle outside after the meeting. (U)

President-elect Lacalle: I visited with the Argentinean president before coming over here and had a very good talk with Foreign Secretary Cavallo who is a very able man. As you know there is going to be a new round of talks with the British in Madrid on the 15th. At the first talks there was discussion of a war zone. The Argentines would like a smaller zone. If something could be said to the British on the protection zone about a system of open and early notification. (P)

The President: I know we have talked about this. Perhaps someone can give us an update. (U)

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Assistant Secretary Aronson: It's a situation where clarification is needed, to build confidence. The British want notification when an Argentine ship comes into the area, its partly a semantic problem. The British want formal notification, the Argentines don't. This is an area where Menem has taken positive action which we should encourage. (Ø)

President-elect Lacalle: Menem is facing a number of serious economic and political problems. (U)

The President: Anything we can do where we could be a catalyst to be helpful, I would like to do. Menem is trying to do the right thing. I could call Maggie Thatcher. (Ø)

President-elect Lacalle: She likes you. (Ø)

The President: She's tough. Sometimes after calling her I feel like I have done a lot of listening. Menem has tremendous financial problems and I want to help. I'll be glad to get involved. (Ø)

President-elect Lacalle: Sometimes we can do and say things that others cannot do and say. Our role can be bigger than our economy. (Ø)

The President: You have good relations with all countries. (U)

President-elect Lacalle: There is a new special relationship I would hope to develop with Collor of Brazil, Alwyn of Chile, and Menem. We have begun together; we look at things much in the same way, on the economy and other things. Perhaps Alwyn is a little different. But we need to have a new orientation toward economic and political problems. (Ø)

The President: Did you put in Peru? (Ø)

President-elect Lacalle: No. Peru is not part of the Southern Tier -- there is a difference. (Ø)

I was thinking about when we had a situation of a reordering of Europe in the early 1800's. We all know of Metternich's role in the ordering of Europe, but we sometimes forget the contribution of Lord Canning who came to the conference with a different view, and who said we need to bring the New World into the picture to provide a balance and equilibrium to the old. And I raise the question of the New World now. We have a Metterich - Mr. Gorbachev. We need a Canning. (Ø)

The President: We hope Mr. Gorbachev will be there. We are all trying to analyze the interesting and unprecedented developments in the Soviet Union. I have moved from supporting *perestroika* and *glasnost* last summer to where I am trying to give a little support to Gorbachev. Gorbachev is a person we can deal with, a person who has made a difference. Without him you would never see the things we have seen in Eastern Europe. (Ø)

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President-elect Lacalle: In this part of the world you see countries where they are continuing to move toward democracy. We may be only one-half an ounce on the scale, but that can change the scale. We are looking to see change. The New World may help balance. German unification is so important. We can become a part of positive change. The Southern Cone can play an important strategic role. I need to explore how. (Ø)

We are prepared to end negotiations on debt before the end of the year. (Ø)

The President: I want to make a general comment. I hope I don't need to. CAP made a remark in San Jose which reminds me. There was a beautiful protocol chief in San Jose and CAP asked me if I would ask the protocol chief to arrange it so that he could sit next to me at the dinner. I did so, and wondered why he had asked. When we had dinner we had conversations on many subjects. He said that it was all very good about Eastern Europe, but that we were sending a signal of neglect to South America. I said, "Hey, that may be a signal, but it is not correct. We have been talking about Eastern Europe and what is happening there has great consequences, but I don't want you to have even a perception of neglect." There may be things I can do from this office -- to promote democracy for instance. I have talked about democracy in the Hemisphere. I want you to know that large or small I am interested in the economic progress made in countries. (Ø)

Regarding Panama, I had to take into account what the reactions would be, knowing the sensitivities of Latin America, and I have noted the statements of leaders. As President I felt the obligation to defend legitimate rights. We now take the joy that 92 per cent of the people in Panama support our decision despite the Panamanian loss of life. I have tried to explain our position. I have used the telephone. We tried to use the OAS -- and here I admit to frustration, but we exhausted every area of bilateral and multi-lateral action with negative results. When Mr. Noriega declared a state of war, and the Marine was killed and the Naval officer beaten and his wife was subjected to humiliation, I believed that we had to act. (Ø)

We want to do whatever we can to see the Panamanian Government restore the economy and improve its relations and to lay the matter to rest. We want to put this behind us. (Ø)

President-elect Lacalle: When you talk about Latin America, there are four regions: 1) the Caribbean, 2) the Pacific on the other side of the Andes, 3) Brazil is a continent by itself and, 4) the River Plate. Mr. Wilkey suggests that any help you give ~~is~~ Uruguay is larger and goes further than just Uruguay because it reflects on the whole zone of Plate. We don't have the influence of Argentina and Brazil, but we have a sense of giving a good example. Any help the new administration can get, will be most useful if we can solve the debt problem settled by the middle of the year. We are well directed to the banks. (Ø)

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The President: We are interested in that. I have talked with Secretary Brady -- it's very important to realize the effect on development and flight capital. Mexico has just done a program. We are pleased with the financial approach they took and hope that with two or three more successful programs we will call it the Bush Plan. (Ø)

President-elect Lacalle: We have planned high impact projects with Argentina and Brazil. We are developing a three-country gas program. There is the Parana River project. We are selling one-half of the telephone company, and selling other enterprises. We are urging change. We want to leave the past. We want to shape the future. (Ø)

I am 48 and have been involved in politics for 30 years. My family has been in politics for 150 years. My first ancestor went to work for Mr. Posadas' ancestors many years ago. We are cousins. (Ø)

President-elect Lacalle: We have a money laundering problem which developed in the last Administration, because of our open economy. We hope to move to an open economy. We have problems because we created a situation where money laundering developed. We are working on the development of a Mutual Legal Assistance Treaty. I am preparing a bill to lift bank secrecy. We are doing all we can -- we may need to combine attributes of Common Law and Roman Law. We have difficulties with this approach, and are doing as much as we can. (Ø)

The President: I am so pleased to hear this. (U)

Ignacio Posadas: There was a success on the Vivas extradition case. (Ø)

The President: I have asked the Attorney General to come to your inauguration. He is a close friend. Its possible that he could talk to some of your people while he is there. We don't profess to be "holier than thou" on this. We have our own banks in the Southeast. We have problems, we want to work with you. (Ø)

President-elect Lacalle: This a changed world now, we have an unholy alliance of terrorists and narco-traffickers. We are so vulnerable to terrorism, especially on planes. We must have a holy alliance. (Ø)

The President: If I can explain by putting this on a personal basis. Every time I go to meetings, people say "don't go to Cartagena." I don't want to sound "macho," but we don't want to send a signal that the Colombian president can face and fight the narco-traffickers, but in his own house the President of the United States can't be safe. The Colombian Congress will pressure for making peace with the narco-traffickers. I don't want to be adding to that. (Ø)

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Our people have looked at the situation in Cartagena and we are confident. (U)

President-elect Lacalle: The problem is multi-faceted. You can fight it by burning crops, by stopping money laundering, we all have a part to play. We are all in this together. (U)

The President: Do you have a user problem? (U)

President-elect Lacalle: No. It is very small. It goes up in summer with the tourists. Nobody is free. The problem is with youth. (U)

The President: We hope to work with you. Did your wife come with you? (U)

President-elect Lacalle: No, I am only here for a few days. (U)

The President: I see I have to go up to Capitol Hill and genuflect. Actually, I'm having lunch with some old friends. We need to keep relations with the Hill positive. (U)

President-elect Lacalle: Thank you very much. I have appreciated the visit. (U)

The President: Look forward to working with you! (U)