

THE WHITE HOUSE
WASHINGTON**MEMCON**

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President-elect Rafael Angel Calderon of Costa Rica (U)

PARTICIPANTS: The President
The Vice President
John H. Sununu, Chief of Staff
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
David C. Mulford, Under Secretary of Treasury
William T. Pryce, NSC Senior Director for Latin America
Stephanie Van Reigersberg, Interpreter
Rafael Angel Calderon, President-Elect

DATE, TIME AND PLACE: March 20, 1990, 2:00 - 2:25 p.m. EST
The Oval Office

The President: It's a pleasure to see you here in the White House. I'm proud to congratulate you on your election. We want to work with you and with some of your neighbors to bring peace, democracy, and development to the region. Violeta was here a while ago. Her economy is a real basket case. I wonder what your opinion of her situation is. (Ø)

President-elect Calderon: Her election was a real surprise. Your son Jeb and I were together that evening and we were...[The President interjected] (Ø)

The President: Jeb did pick the winner in talking to his father. (Ø)

President-elect Calderon: It was a great surprise especially that the Sandinistas accepted the victory. We need to coordinate our actions so that we can help Violeta and Endara. You can count on me to cooperate in a coordinating effort. The same goes for President Callejas (President of Honduras). We are close friends. I sponsored him for membership into the International Democratic Union in 1987. (Ø)

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The President: I was unaware of the linkage. (U)

President-elect Calderon: I was in Dallas in '84 and in New Orleans in '88. (U)

The President: What are Callejas's main problems. (Ø)

President-elect Calderon: Economic, the same as our own. (Ø)

The President: I want to hear about your problems. The Vice President has told me of your talk this morning. (Ø)

President-elect Calderon: After a period of economic statism and state ownership in the '70s and in the '80s, the country had to make a great effort to reduce the size of state ownership and the size of government. We needed a lot of help in this. The Social Democrats were doing it only out of necessity. The U.S. played a big role. You gave enormous help. But it is all on the verge of collapse because we now have a deficit of 6% of GDP. All of the indicators led everyone to believe that the deficit would be only 1%. But the drop in coffee prices caused a deficit of 1%. The Government's refusal to raise tariffs and taxes for water, electricity etc. caused another 2% deficit. And then the Government's excessive fiscal expenditures caused another 3% deficit. So we are at critical juncture. We are prepared to take the very stringent measures necessary. I will ask the people to make sacrifices. I will raise taxes and reduce expenditures. But this whole series of measures will not be enough if we don't get some help from outside. Curiously, this is when assistance is needed most. During Monge's years, the U.S. gave an average of \$200 million a year. During Arias's time it averaged \$130 million. I will start with only \$60 million. This is a problem. I want to do things right, and we want to reach agreement with the IMF. We need two years of special help. We need \$90 million extra in '90 and '91. After two years we will be on our own. (Ø)

The President: Will you be able to privatize? (Ø)

President-elect Calderon: We have already done so to a large degree. There are four or five more industries. We want to apply the principal to internal debt. We think that if we could get assistance from the U.S., if the U.S. could provide private investment, this would be very helpful. And if you could talk to the Minister of Economy of Japan. They have so much money that they don't know what to do with it. (Ø)

The President: Interestingly enough, I recently brought up the need to do more in Latin America in my talks with the Japanese. (Ø)

Who can address this problem? We want to help, but we have big problems. I hate to plead poor-boy in front of friends. Let us

talk about this. I hadn't realized that the problem was quite as serious. (Ø)

Assistant Secretary Aronson: One thing which will help somewhat will be our refugee program. This will put some money into the country indirectly.

Deputy Secretary Eagleburger: Zeder [Chairman of OPIC] should be able to do something on the private side. Zeder is a miracle worker. Why don't I talk to him. (Ø)

Under Secretary Mulford: One thing we can do. The banks which produced the largest debt reduction of the Brady plan, 60%, are important. The deal is not closed. There is a danger that the fruits will not be brought to ground if you don't complete the deal with the IMF. That deal is at risk. We can: 1) work with fund on behalf of Costa Rica, and 2) stay in touch with the Banks which may be wavering. If there is a new IMF deal we could provide a short term bridge loan which could save the benefit of the deal. (Ø)

President-elect Calderon: I would be prepared to talk to the banks. Things are moving so fast. They are seeing the forthcoming attitude we are taking. I think that we can keep the banks together which would represent a resource flow. But to get agreement with the Fund we must make a difficult 4% adjustment. We can do something on our own, but economic assistance is necessary because we need to reduce 4% in a year, but we only come into office in May, thus the administrative measures will only be in effect for seven months. And legislative efforts will take even longer. The whole effort the U.S. has made to support democracy in Costa Rica could be lost if we don't get the additional assistance we need. (Ø)

The President: We'll certainly talk about it here. You make a very good case. (U)

Assistant Secretary Aronson: We can see what can be done about cash flows. (Ø)

Mr. Pryce: We asked the Congress for \$90 million for Costa Rica this year and got cut to \$57 million. (Ø)

The President: We are hurt by earmarking. We will try to do what we can. (U)

President-elect Calderon: Arias said that inflation is only 10% but this was artificial. He is not willing to take any drastic measures. It doesn't bother me to take tough measures. They want me to come to you for technical assistance to see how you get an 80% approval rating. (Ø)

The President: I don't believe in those polls. Ortega did, but probably doesn't now. Arias said that you won well. What was your percentage? (Ø)

President-elect Calderon: Fifty two -- and we won in all states. Now we must show the world that the country which has 100 years of democracy can succeed. Now that the military budget in the U.S. will be cut, this is the time perhaps to use the proceeds. (Ø)

The President: It will be cut, but we need to be careful. I had a discussion with the Leadership on this subject yesterday. We need to be sure that we don't cut muscle. Let us discuss this among our top people to see what we can do to help. (Ø)

President-elect Calderon: Our people will make great sacrifices. (Ø)

The President: What would you do with the money? (Ø)

President-elect Calderon: Deficit reduction. (U)

Under Secretary Mulford: One source of money -- we used part of -- in the package of \$40 million. Perhaps they (the Banks?) can do more. (Ø)

President-elect Calderon: If you ask. (U)

Under Secretary Mulford: We can try. They are not very malleable. (Ø)

President-elect Calderon: I will go to Japan this year. (U)

The President: Perhaps they can help. (Ø)

President-elect Calderon: At the end of one of your phone calls when you have finished discussing matters of great importance, you could mention us. (Ø)

The President: In my recent meeting with the Japanese I did mention aid to Latin American countries, but I was not country specific. I see no reason why we could not be country specific. (Ø)

President-elect Calderon: With you as President we hope for great things. The funny thing is that Arias got three times what I get. (Ø)

The President: We will work on it. (U)

President-elect Calderon: People in Costa Rica love the United States. As I told you in the Breakfast for Chamorro (in Costa Rica in October of '89). The Bush/Quayle ticket is even more

popular in Costa Rica then in the U.S. When you went to the inauguration you got a bigger ovation than President Arias. (Ø)

The President: I was surprised at the reception. I was so proud at the manifestation of support for the United States. Let us see what we can do. (Ø)

Barbara was pleased that you whispered to Jeb that you would be pleased if she went to your inauguration. (Ø)

Sending Jebbie isn't because he needs to look after his mother to be sure she doesn't get into trouble. (Ø)

President-elect Calderon: Your reception in Costa Rica was wonderful, but wait until you see the reception Barbara gets!

One thing more: fishing. (U)

The President: Now you're talking! (U)

President-elect Calderon: We have the best fishing in the world. We really want you to come. You will be President for six years and I will be for four. We don't need to set a date. (U)

The President: I have a fishing partner in Florida, George H. who has been fishing in Costa Rica and who has told me how good it is. (Ø)

President-elect Calderon: Please come any time you can -- I hope in the next four years -- so I can welcome you as President. (U)

The President: I would like to do that, do you know Armando Cardenas, a Cuban who is a partner of Jeb's? (Ø)

President-elect Calderon: I know John S. My wife, Gloria, was born in Mexico. Jeb wants to be Guanajuato when he has his 40th. (Ø)

The President: This has been a very useful visit. We will certainly see what we can do to help. I look forward to maintaining a close relationship with you. I wish you all the best. (Ø)

President-elect Calderon: Thank you very much. I am sorry that you can not come to my inauguration, but very pleased that Barbara and Jeb will be there. (Ø)

-- End of Conversation --