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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Memorandum of Conversation with President Carlos Salinas of Mexico (U)

PARTICIPANTS: The President
James A. Baker, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
William T. Pryce, Senior Director for Latin American and Caribbean Affairs, NSC
Stephanie Van Reigersberg, Interpreter

Carlos Salinas Gortari, President of Mexico
Fernando Morales Solana, Secretary of Foreign Relations
Gustavo Petricioli, Ambassador to the United States
Jose Cordova, Chief of Staff to President Salinas
Dina Kurianski, Interpreter

DATE, TIME AND PLACE: September 30, 1990, 6:45 - 7:15 p.m. EST
Waldorf Astoria Hotel, New York, NY

The President began the conversation by outlining the budget accord reached earlier in the day with the Congressional Leadership, expressing great admiration for President Salinas' leadership and what he was accomplishing for his country, and saying that he was looking forward very much to his visit to Mexico. (C)

The President: I want to open the floor to you. Did you go to the working session of the Children's Summit? (C)

President Salinas: Yes. It was very interesting. You would think that with 61 Heads of State talking for four minutes on the same subject, it would be boring; but it was not. (C)

The President: I think the U.N. did an excellent job. (C)

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On the Free Trade Agreement, I want to be very clear on my commitment to you to go bilaterally. The Canadians came on like a ton of bricks on this thing, but late. Mulroney mentioned the subject in Maine at Kennebunkport, but only very peripherally. Then it came up in August. Then they said that it came up in their Cabinet. I did not want you to feel that we were somehow coming down on you. I want to clear the air on this. We are willing to consult with Canada. But, if these consultations get complicated, we are going to go ahead bilaterally with Mexico.

(S)

President Salinas: I am very glad that you will go with Mexico. I appreciate your letter and telephone call to me on this as well as your letters to the Congress. We told Canada they already had their agreement. We consider that the procedure is to go on the path of a bilateral agreement which will be taken by itself.

(S)

The President: Yes. (U)

President Salinas: I am glad you emphasized that Mexico wants it to be bilateral. In this way this will avoid complicating the negotiations and make things go quickly. If three-way negotiations were undertaken and failed, then Mexico would be adversely affected.

(S)

The President: Is it controversial at home? (S)

President Salinas: No. After ten years of economic stagnation, people wanted change. I told them if we are to grow, then this is what we have to do. There is a good chunk of opinion which can get complicated if U.S. interests groups try to complicate things.

(S)

Secretary Baker: It will be difficult enough as it is without trying to do a three-way deal. I want to mention that when we talked in June, we let Canada know that we intended to go forward with Mexico, and they sat on it for three months. We also mentioned this in late July. Brent, when did they ... [President interjects].

(S)

The President: In September they really came down hard. (S)

On the Uruguay Round. If we reduce tariffs by one-third, there will be a one-half trillion increase in the global economy. If we all get in there and pitch, especially in agriculture, we should be successful. The Europeans are being difficult on agriculture.

(S)

President Salinas: We are together on this. (S)

The problems of the budget of the U.S. are of concern to Mexico. They are, of course, complicated by the Persian Gulf situation and causing tremors in world markets.

(S)

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The President: On our budget, if we all get in there and pitch this will lower interest rates which will help the world economy. (S)

We are worried about the situation in Iraq. It is terribly important to send a message to the world that we will not accept aggression. The more we study him, the more we see he is unpredictable. We want a new world order when this is over. There is potential for good in this, if we solve it successfully and peacefully. But this is a dangerous guy. We have not finished moving our forces yet. This is a very dicey situation. We had to exercise a leadership role. He says there is no danger to Saudi Arabia, but the day he said to the Kuwaiti's, "we are leaving," there were a couple of trucks going one way, but all the tanks were going the other way. (S)

President Salinas: The price of oil is going wild. We are all against such a high price. That is why we committed immediately to additional production. (S)

The President: You are right. You are moving in the right direction. We think that there may be a shortage at the end of the fourth quarter. Do your people think this? (S)

President Salinas: Perhaps not that soon, because inventories are high. But the price of oil is not based on market conditions. (S)

The President: We think that speculators are betting on a destruction of Saudi wells or something. (S)

President Salinas: We were working to be ready to produce more oil. What were your goals on price? We would like to see it \$26 per barrel by next June. (S)

General Scowcroft: The future markets were predicting this. (S)

The President: We are not talking about \$40-50 a barrel? Can you get \$40-50 a barrel? (S)

President Salinas: Yes. We are getting it. Our revenues have increased by three billion dollars in four months. (S)

The President: For October delivery? (S)

President Salinas: With all this revenue we are trying to be helpful. We have had discussions with Mrs. Charmorro and have agreed to restructure her debt. We are increasing the discretionary part of her oil payments. She is worried about the conditionality of U.S. aid. (S)

Secretary Baker: We have already disbursed over \$260 million. Some in cash; some in debt payments. (S)

Assistant Secretary Aronson: She is worried about the \$200 million that we are asking for next year. (Ø)

President Salinas: There is no problem. We have reduced their \$1.1 million bill to \$360 million. Mrs. Charmorro is very satisfied. We have reached agreement with the Salvadoran government, but \$40 a barrel will wreck anyone. (Ø)

The President: I assume you have talked with Havel. (Ø)

President Salinas: Yes. We are sending 30 thousand barrels. They want to pay with machinery -- but old machinery. (Ø)

The President: How is your economy? (Ø)

President Salinas: Good. Privatization will make a difference. We are bringing in American companies and French companies. We expect three percent growth this year and a budget deficit of one percent of the GDP. (Ø)

The President: Is this being accepted by the private sector? (Ø)

President Salinas: Yes, there is a growing consensus. The telephone workers voted to privatize. They will get stock. We are using the money we get for selling companies for social programs. (Ø)

The President: I remember you talked to me about one child not seeing stars (because of the smog in Mexico City). (Ø)

President Salinas: Yes. The gray skies in Mexico City prevented this. (Ø)

The President: Are things getting better? (Ø)

President Salinas: Yes. We have a program where we don't permit cars to drive one day a week. That greatly reduces pollution. We are also introducing a new unleaded gasoline which is sold at U.S. prices. (Ø)

President Salinas: In the case of El Salvador, we think that with better coordination that we can end the war. We think that with a more coordinated effort we could get talks going. (Ø)

Foreign Minister Solana: The next talks are in Mexico. Cuba is involved. (Ø)

President Salinas: The Cubans can have an influence on that case. I have spoken with Felipe Gonzalez about a coordinated effort to push the FMLN to a more constructive role in El Salvador. Mexico and Spain are the ones who can convince the FMLN to stay at the negotiating table, not to go on another offensive, and to agree to a cease-fire. Cuba is key to a solution in El Salvador. (Ø)

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Secretary Baker: That would be helpful. We have a chance to finish the last war in Central America. We think the FMLN is waiting to see what our Congress will do. We will have a decision one way or another on that in a couple weeks. We need to keep the pressure on the FMLN. If there is a possibility of a cease-fire this would be real progress. We are going to put conditions on the government regarding the Jesuit Case. (C)

President Salinas: We will do our part to influence Cuba. (C)

The President: Castro has been disruptive on the Iraqi case. He was the exception on the resolutions. (C)

President Salinas: He was the exception on the last resolution. (C)

Secretary Baker: The Secretary General has talked about moving on the FMLN. Is Cuba likely to be helpful? Who has an influence? (C)

President Salinas: You will have a warm welcome in Mexico. You will find a most positive part of Mexico in Monterrey and Aguascalientes. (C)

The President: I look forward to it. I have been to Aguascalientes and Baha Sur. (C)

Secretary Baker: If we could raise the NPT review conference. We have a difference here. We hope you won't hold NPT hostage to a comprehensive test ban. (C)

President Salinas: We need to work more with you on that issue. Again, I look forward to receiving you in November. I am happy that this is the first time in recent history when a Mexican president and a U.S. president have met and it has not been necessary to discuss a serious controversial issue. (C)

-- End of Conversation --

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