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THE WHITE HOUSE
WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Memorandum of Conversation with President
Collor of Brazil (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
Marcel Bouquet, Interpreter

Ferenando Collor, President of Brazil
Francisco Rezek, Foreign Minister
Marcilio Marques Moreira, Ambassador
Jose Goldenberg, Minister of Scientific
Affairs
Roberto Krause, Foreign Ministry
Maria Louise Phillips, Interpreter

DATE, TIME AND PLACE: October 1, 1990, 4:15 - 4:45 p.m. EST
Waldorf Astoria Hotel, New York, NY

The President: Good to see you. I have just gotten back from discussing the budget in Washington. We had a meeting and I think we have a workable compromise. We'll have to work hard to get it adopted. But how are you? You are looking fit. (✓)

President Collor: Fine. We are looking forward very much to your visit to Brazil on December 2. (✓)

The President: Do we have a date set? (✓)

Mr. Pryce: Yes. (✓)

The President: We all have the Iraq problem before us and this naturally is taking some time. But, we don't want to send a signal that we are so preoccupied with Iraq that we forget our other priorities. That is why I am so pleased that we have been able to reschedule my trip to Latin America which has a very high priority for me. (✓)

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I didn't have any particular problems to put on the table. We hope you can waive the Tlatelolco, I can never get that name right, Treaty into effect. I would like to know how much the Middle East will adversely affect Brazil. I apologize for the change in schedule. If we do get the budget through, this will lower interest rates. We would save \$500 billion over five years. I hope the Federal Reserve will lower rates once this issue has passed. This will benefit our trading partner's economies world-wide. (C)

President Collor: In the first place, I want to congratulate President Bush on his Enterprise for the Americas Initiative, it benefits all Latin America and especially Brazil. I want to say that my congratulations for the Enterprise for the Americas Initiative were passed to him at the very beginning. We have taken this as a decisive step which will improve overall relations and trading relations between our two countries. We have been holding talks and analyzing it. Both Brazil and Argentina are working towards a common market in 1994. We hope that Brazil and Argentina and Uruguay will all be integrated. This is a requirement for development. Latin American integration is a goal for all our democratic governments. It is fit that it begin with the Southern Cone. It has started and has gone well. This fits right in with the Enterprise for the Americas Initiative. (C)

May I say that pronouncing Tlatelolco is also difficult for us. I said at the UN in my opening speech, we in Brazil want to review the article which says that it is okay for the signatory countries to explode nuclear devices for pacific purposes. Brazil wants to eliminate that article. Brazil, under my government, will not embark on any nuclear adventures. (C)

Before coming on this trip, we got information that there was a deep shaft in the ground which people said was designed to test atomic explosions. The shaft was constructed by governments before me. I went up there and sealed the hole to show them once and for all that Brazil had no intention of making atomic explosions. (C)

I regret our bad informal relations with Saddam Hussein. As you know, Brazil had formal relations with Iraq. But those were open. Unfortunately, there have been clandestine relationships which were murky. That is unthinkable for us. (C)

Let me remind you, Mr. President, that we immediately joined the United Nations resolution which we considered our duty. We gave unconditional support to the United States and the United Nations regarding the decision on Iraq. Going back to the Tlatelolco Treaty, we think it would be good for our experts to discuss this further. (C)

The President: I was going to suggest that. The closer we cooperate the better for both countries. I meant to thank you in the beginning for your support on Iraq. Like you, we had trade

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relationships with Iraq. I am being criticized for trying to have better relationships. We did try, along with others, to get [Saddam] Hussein to be more moderate. It is better to try and fail than not to try at all! I am sorry we did not succeed. We had relationships. We understand those who had relationships. We know it is not easy when you have commercial relations. But if all the world opposes Saddam's actions, the result should be peace. I don't know how the situation will be resolved. I hope it will be peaceful. I have heard different reports about the effectiveness of sanctions. The worry I have is that the man is unpredictable. He thinks he can act any way he wants. He can lash out in one way or another. He has been gathering terrorist groups. We are worried about unpredictable behavior. But we are happy that the world has stayed together in opposing his actions. I would like to know what you think. I should have said at the beginning, thank you for your support, and I apologize for not having done so. (Ø)

President Collor: Mr. President, we are concerned about Iraq, as are all the people of the world. After the changes in the governments of Eastern Europe, we thought there would be a decade of peace and prosperity for the world. But then, suddenly, Saddam comes up with an invasion and walks over the sovereignty of another country and threatens the stability of the world. We have to stay together on this. Our attitude could be only one -- sanctions. I hope that they are effective. I hope this embargo is effective. As I heard somebody say the other day, "resolutions must become solutions." (Ø)

We support all peaceful attempts to resolve the Saddam problem. You cannot allow sovereignty to be obscured. There can be no rewards for violations of international law. We can not give in to someone like [Saddam] Hussein who invades another country. We had a brigadier general in the Air Force who went to Baghdad who had Top Secret information as part of the job which he formerly had. This causes a conflict from Brazil's official position. This was a Brazilian officer who had information when we wanted to be a nuclear power. Now we have a law that people cannot give their information to a foreign power. (Ø)

The President: May I mention the Uruguay Round? We are concerned about the progress on agriculture. We have been having trouble with the European Economic Community in agriculture -- they do not want to include it. If agriculture is not included in the Agreement, it will fail. If the Round is successful, there will be opposition here. (Ø)

I have to ride herd on trade negotiations. But we have Jim [Baker] and Bernie [Aronson] to do this. I don't want to meddle in Brazilian internal affairs, but if you can stay on top of your negotiators. Sometimes a person in a lower position comes under extreme pressure during negotiations and does not reflect the position of the top leaders. I felt optimistic after the Houston Statement. But after the meeting some governments were bicycling backward rather than forward. Carla Hills has said that a one-

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half trillion dollar increase in world GNP could result if we can get a successful Uruguay Round. The small countries will benefit the most. We are close together, Brazil and the U.S. I want to thank you for your public statement on trade. (Ø)

President Collor: May I remind you of all I said at our first meeting. And at the beginning it looked like it would be impossible to implement this in six months. I talked to Carla Hills about this also. At the beginning it looked like it would be impossible to implement this in six months, but we have been putting all of this into effect. But, we have done this by freeing up imports and the exchange rate, combatting inflation, and allowing prices to become freer. We had inflation of 90% per month and it fell to 12% per month. Excessive protectionism of some countries bothers us. Brazil wants to join the family of modern countries in the 21st century, but we need reciprocity in open markets. Some countries have protectionism which can threaten our continued growth. (Ø)

Regarding the Uruguay Round, unless agriculture is dealt with it will be like a one-legged man. (Ø)

The President: In discussing this I don't want you to think we are "holier than thou." Congress has just passed a restrictive textile bill. I will have to veto it. They think that they can override. We don't want protectionism. If we can move forward. (Ø)

Secretary Baker: Let me jump in here to say the change is dramatic, remarkable. Ambassador Moreira and I worked for three years and we could make little progress then. In the three years we talked Brazil/U.S. trade relationship and things were at an impasse. The problem is that some bureaucrats are not following directions from the top -- particularly on intellectual property. The European Community says no intellectual property -- no agriculture. We see a night and day difference between government's position now and before. (Ø)

President Collor: [Speaking to Foreign Minister Rezek] Who is our ambassador in Geneva? (Ø)

Foreign Minister Rezek: We have a new bill in Congress that will reform our code on intellectual property. Our man in Geneva is Ambassador Ricupero. He is now bound by the current legislation and is waiting for permission to act on the new legislation. (Ø)

President Collor: Perhaps our negotiators in Geneva should explain to your staff in Geneva about the problems. I hope we will correct any problems. It bothers me when I make decisions and find that they are not followed through by all levels of the administration. If there is a bureaucratic impediment, I promise you it will be corrected in 48 hours unless such restriction are backed by law. (Ø)

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The President: Sorry there was a change in the times for the visit. We look forward very much to coming. (S)

President Collor: I want to thank you and mention two things before we finish. One, we have forwarded a letter of intent to the IMF. We are conducting negotiations with the private banks and hope to have normal relations with our international creditors at end of the year. Your position that debt for developing countries should be handled differently is very important. (S)

Two, talking about the Brady Plan, when we met in Washington I said to you "couldn't we improve on the Brady Plan?" and you answered "I'm thinking about something, but won't mention it because Brady is here and if he hears it he will call it the Brady Plan Two, and I want it to be called the Bush Plan." I now see that what you had in mind was the Enterprise for the Americas Initiative! (S)

-- End of Conversation --

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