

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Luis Alberto Lacalle of Uruguay (U)

PARTICIPANTS: The President
James A. Baker, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Bernard Aronson, Assistant Secretary of State for Inter-American Affairs
William T. Pryce, Senior Director for Latin American Affairs, NSC (Notetaker)

Luis Alberto Lacalle, President
Hector Gros-Espiell, Minister of Foreign Affairs
Enrique Silva Braga, Minister of Economy and Finance
Eduardo MacGillycuddy, Ambassador to the United States

DATE, TIME: October 1, 1990, 8:30 - 9:00 p.m. EST
AND PLACE: Waldorf Astoria Hotel, New York, N.Y.

President Lacalle: I want to thank you for your interest in our debt program. It appears to be on the right track. (C)

The President: Treasury is trying to help. We did talk with Mr. McPherson and he thinks the deal can be done. (C)

President Lacalle: Thank you for your intervention. There is more than money involved. The psychological input is important. Thank you very much. We are working currently in Washington on a cooperation treaty. We are also studying things that we could sign when you are there. We hope you can spend the night in Punta del Este. (C)

The President: We are working on that. (C)

President Lacalle: We are in a final round of conversations. We are eager to cooperate especially in drug trafficking. (C)

The President: Is this regarding money laundering?

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President Lacalle: We want it to cover money laundering. The U.S. wants to broaden it a little. (S)

The President: I hope we can get that done. We know that there is a feeling that if it weren't for demand -- demand in New York -- that there would not be the narcotics problem. We are trying to work here to reduce the demand. Do you have a drug user problem? (S)

President Lacalle: No. But we have an upsurge every summer. (S)

The President: Does it go back? (S)

President Lacalle: No. It keeps going up slowly. It affects the upper part of society. It is more of a problem in the upper classes which now have less family ties -- less support. Tourism is a problem. They [the Uruguayans] look at tourists -- the foreigners -- and emulate them. People tend to look up to tourists. (S)

We are working hard on business development. We are prepared to enter into a plan with Mr. Iglesias of the InterAmerican Development Bank on updating our industry. We have new, young businessmen who are very dynamic. (S)

The President: Is OPIC involved in Uruguay? If not, we might talk about that. (S)

President Lacalle: We are opening the insurance market because it was formerly a monopoly. We are ready to open public enterprises. We have ALADI. We have a center for international economic integration. We want to be a center of economic activity. That is why we are looking to be a international scientific center. (S)

The President: President Lacalle was the first man to call me on the Enterprise for the Americas Initiative. (S)

President Lacalle: I was so mad. There was an ALADI conference here. They were slow to react. I said "take hold of what is offered -- otherwise it will go." This is a marvelous support offered by the U.S. (S)

The President: On the Uruguay Round. I am ready to support your stand that if there is no agricultural component -- there is no agreement. A successful agreement is the best defense against our protectionist interests. We have a protectionist textile bill which has passed both houses, but I will have to veto it. (S)

Secretary Baker: We have heard that if there is a successful Uruguay Round that it will increase trade by one-half trillion dollars. (S)

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The President: If we cut tariffs by one-third. The Europeans say that they have political problems in agriculture. The Japanese say the same thing about rice. I could say the same thing about Iowa and Kansas. (C)

President Lacalle: I think countries will support you if you support the need to include agriculture. (C)

The President: How is your economy? (C)

President Lacalle: Going well. If we take out debt from the immediate concerns, we will do well. (C)

The President: I hope that the budget agreement will result in a lowering of interest rates. This will help the world economy. If this has the effect we hope it will -- our economy is so large -- we hope it will help everybody. (C)

President Lacalle: I think that all the American nations should be lobbying for the Enterprise. The Enterprise is good for all the Americas, and we should help the Senators and Congressmen. (C)

The President: I want to say, on Iraq, that we know that there is sacrifice on your part. It is fundamental that this man [Saddam Hussein] cannot be allowed to succeed. We hope for a peaceful resolution of the problem. With solid support by responsible nations, perhaps we can move Saddam to a new reality. (C)

President Lacalle: And we need to stop him, to avoid a disaster. (C)

The President: Our experts think that with the operation of the law of supply and demand, the price of oil should be \$26.00 a barrel. (C)

President Lacalle: We are talking with the World Bank. We project at \$35.00 a barrel. We may need more help. CAP says the word is that a price of \$100 a barrel of oil could be here to stay. This would be a disaster! (C)

The President: He would be the richest man in the world if this were to come to pass. (C)

President Lacalle: We are consulting. I want to facilitate drilling in the area. We need to connect ourselves to the gas fields in Argentina and Bolivia. (C)

Secretary Baker: What is your feeling about the executive branch of the Government of Argentina? (C)

President Lacalle: In principle, Menem has more power than you, me, or Collor, but he was not too timely regarding procedures. There seemed to be different signals. Menem appeared to be a

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Peronist who is of a mind to change. There is some change in progress. Iberia has bought the Argentine airline. The problem is in getting the money. (S)

Secretary Baker: If you connect with Argentina in gas, would it go with YPF? (S)

Minister Gros-Espiell: No. (S)

President Lacalle: We are a hydroelectric power country, but have gas backup. We need to have the back up of clean fuel. We need more clean fuel. (S)

[As meeting breaks up.] We are looking forward very much to your visit. (S)

The President: So am I. (U)

President Lacalle: We hope to have you go fishing for a few hours in the harbor. (U)

The President: I would love to, but on these trips I never get to do this kind of thing. (S)

-- End of Conversation --

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