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 AND PLACE: October 1, 1990, 8:30 - 9:00 p.m. EST
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. (✓)

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

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. (✓)

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

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

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

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? (☞)

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

The President: Does it go back? (☞)

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. (☞)

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. (☞)

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

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 an international scientific center. (☞)

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

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. (☞)

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. (☞)

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

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

The President: How is your economy?

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

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.

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.

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.

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

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.

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!

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

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.

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

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
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. (C)

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

Minister Gros-Espiell: No. (C)

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. (C)

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

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. (C)

-- End of Conversation --