

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Ricardo Arias-Calderon of the Republic of Panama (U)

PARTICIPANTS: The President
The Vice President
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 Affairs, NSC (Notetaker)

Ricardo Arias-Calderon, 1st Vice President of Panama
Eduardo Vallarino, Panamanian Ambassador to the United States

DATE, TIME AND PLACE: November 28, 1990, 2:20 - 2:40 p.m. EST
The Oval Office

(The President met with Vice President Arias-Calderon after Arias-Calderon's meeting with Vice President Quayle.) (U)

The President: We had a very positive visit with Mexican President Salinas. How are things with you and Mexico? (C)

Vice President Arias-Calderon: Well, not so good, We still do not have normal relations. (C)

The President: Oh, what is the problem? (C)

Vice President Arias-Calderon: They have given asylum to the head of the Central Bank who had stolen a great deal of money and is under criminal charges. And it was therefore difficult for us to recognize asylum and allow him to leave the country. We have attempted to say, "Lets put this question aside and move ahead in our bilateral relations," but this has not been possible. (C)

The President: It is too bad that we did not raise the question when we were in Mexico. Maybe we still could. He has taken a very positive attitude on foreign policy and I believe he should be able to do something. He has brought his foreign office around quite a bit, not completely, but there is progress. (C)

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Vice President Arias-Calderon: We just had a lunch with Central American ambassadors to discuss the program for peace and democracy with Mr. Cooper, whom I gather has been put in charge. Panama is assuming a greater role as part of the Central American region. (C)

The President: We have a commitment to Latin America. We do not want to send a signal that just because of the Gulf, that we will ignore the region. We want to show that we continue our high interest in Latin America. I will be visiting the region next week. It is not the most convenient time, but I had to postpone before and I want to make sure that we show our interest. Dan has also done a lot at my request. He has visited a number of countries and I plan to do so too. Our real interest in Latin America -- that is what I hope will come out of the trip. (C)

Vice President Arias-Calderon: I hope you have great success in getting rid of Saddam Hussein. (C)

The President: Wish Congress would agree with what you just said. A person who is so articulate on this is Havel. You know, the press is always looking for divisions and they asked him about it at a press conference and hoping he would equivocate, but he came on with such strong support that he knocked the ball right out of the park. (C)

Our Cuban friends, or should I say your friends, they are not mine -- (C)

Vice President Arias-Calderon: My wife is of Cuban origin, but we met because of Castro -- she left the country. (C)

The President: I know of the wonderful Cuban qualities -- my son Jeff has a Cuban partner who is a wonderful person. If you could unleash Cuban know-how and enterprise to develop the country, it would be fantastic. (C)

Vice President Arias-Calderon: There are a couple of areas where we are making progress. On demilitarization we have dismantled the Noriega apparatus. We have squeezed out 60% of Noriega-related officers from the grade of captain through general and 40 percent of the officers from lieutenant to captain. We have dismantled all of the military organizations, all of the men are out of the barracks -- they all work an eight hour shift and go home to their wives and neighbors like everyone else. (C)

The President: What happens to the officers who were dismissed? (C)

Vice President Arias-Calderon: Well, various things. About fifty are in jail. A lot are retired -- we are paying them their full retirement. And of course, some have been dismissed. We had some problems with person who was head of the police -- we relieved him. There are changes for the better. Gradually we are getting a working police organization. In some ways we have

gone further than Costa Rica because they have soldiers in barracks and we do not. (C)

The President: Do you find any groups of people who hope Noriega will come back? (C)

Vice President Arias-Calderon: There are some of course, but not many. And we have been able to control the situation. (C)

We have made progress on drugs. Anyone who deals with more than \$10,000 in cash must identify the transaction, and we keep it on record for five years. Banks are fined from \$100,000 to \$1 million for infractions. (C)

Any bank account is open to investigation if the owner is under investigation for a crime. We still have a problem of drugs from Colombia. We have captured 500 kilos of cocaine. (C)

The President: Where do they smuggle the drugs? (C)

Vice President Arias-Calderon: Mostly by sea. We are now working with the Coast Guard. We should come to agreement on this soon. (C)

The President: I remember an Ensign at the Coast Guard Academy who did not have the Panamanian National Anthem played for him at the ceremony I attended a while back. I always felt sorry for him and would like to do something about it. (C)

Ambassador Vallarino: Another Panamanian graduated -- they played the National Anthem this year. (C)

The President: Yes, but I am worried about the one they did not play the anthem for. (C)

General Scowcroft: I think Cheney made a special overture to that Ensign. (C)

Vice President Arias-Calderon: The biggest challenge in the area is poverty -- it is critical. Up to 40 percent of families live below the poverty line in Panama. The economy is picking up, but it is not really growing the way it should. There is as much as 27 percent unemployment in the big cities. That is our biggest challenge. (C)

The President: I hope we can help. How about private enterprise, are they picking up the slack? (C)

Vice President Arias-Calderon: There is certain interest and expectations, but investment is not coming through yet, as it should. The people are impatient, but not so impatient that they would destroy the system. (C)

The President: We have great respect regarding what you are so ably doing for Panama. We are glad to have the opportunity to help. (C)

Vice President Arias-Calderon: From the first day back we had difficulties. There were no typewriters and no furniture. Offices were destroyed, but we have come a long way towards restoring things. (C)

We have been criticized for not moving faster. We have an exceptional freedom of the press -- it is vicious. (C)

The President: Really? (C)

Mr. Pryce: Yes, it is pretty rough. (C)

Vice President Arias-Calderon: You played a significant role in bringing democracy back to Panama. (C)

The President: Is there generally a good feeling regarding the U.S. and Panama? (C)

Vice President Arias-Calderon: If you ask the common people you would get a very, very positive response. If you ask among the politically active and others, they would give less support. The country, as a whole, has a solid working relationship with the U.S. and this is what the government wants. (C)

The President: I hope there is not animosity that we went in and did what we had to do. (C)

Vice President Arias-Calderon: It was a trauma, but I never had a second thought. It was absolutely successful, I am proud to have taken part. (C)

The President: We are worried about GATT and the way the Uruguay Round is not being implemented. (C)

Vice President Arias-Calderon: We hope that you will turn to agricultural products and seek better treatment for them. (C)

The President: That is precisely what we will be doing. (C)

-- End of Conversation --