

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Memorandum of Conversation of Expanded  
Bilateral Meeting with President Carlos  
Andres Perez of Venezuela (U)

PARTICIPANTS: The President  
Michael Skol, U.S. Ambassador to Venezuela  
Nicholas F. Brady, Secretary of the Treasury  
Lawrence Eagleburger, Deputy Secretary of  
State  
Bernard W. Aronson, Assistant Secretary  
of State for Inter-American Affairs  
David C. Mulford, Under Secretary of the  
Treasury of International Affairs  
Hollis McLoughlin, Assistant Secretary of the  
Treasury for Policy Management  
D. Allan Bromley, Assistant to the President  
for Science and Technology  
Marlin Fitzwater, Assistant to the President  
and Press Secretary  
Andrew H. Card, Assistant to the President  
and Deputy to the Chief of Staff  
William T. Pryce, Special Assistant to  
the President and Senior Director for  
Latin American and Caribbean Affairs  
Andrew Sens, Director for Southern Cone  
Affairs, Bureau of Inter-American Affairs,  
Department of State  
Donald C. Johnson, NSC (Notetaker)  
Lillian Nigaglioni, Interpreter  
  
Carlos Andres Perez, President  
Reinaldo Figueredo Planchart, Foreign  
Minister  
Alejandro Izaguirre, Minister of Interior  
Celestino Armas, Minister of Energy &  
Mines  
Roberto Pocaterra, Minister of Treasury  
Miguel Rodriguez, Minister of Development  
Armando Duran, Minister of the  
Presidential Secretariat  
Luis Vezga Godoy, Minister of Information  
Dulce Arnao de Uzategui, Minister of  
Science and Technology

Beatrice Rangel, Vice Minister of the  
Presidency  
Ambassador Adolfo Raul Taylhardat,  
Vice Minister of Foreign Relations  
Pedro Tinoco, President, Central Bank  
Gabriela Febres-Cordero, President of  
Foreign Trade Institute  
Simon Alberto Consalvi, Venezuelan  
Ambassador to the U.S.  
Ambassador Roy Chaderton, Director  
General for Political Affairs  
Ambassador Oscar de Rojas, Director  
of the Economics Division  
Doctor Moises Naim, Executive Director  
for Venezuela to the IBRD  
Sonia Perez, Venezuelan Representative  
to the Inter American Development  
Bank (and daughter of the President)  
Boaneres Salazar, Director of the  
Division for the Americas, MFA  
Leopoldo Lopez Gil, President of the  
Fundacion Ayacucho  
Danute Rosales, Interpreter

DATE, TIME December 8, 1990, 10:45 - 11:35 a.m.  
AND PLACE: Council of Ministers' Meeting Room  
Caracas, Venezuela

The two Presidents joined the meeting already in progress, which was being chaired by Foreign Minister Figueredo for the Venezuelan side, and Secretary of the Treasury Brady for the U.S. side. (U)

President Perez: Mr. President, it is a great pleasure to receive you with your group of cabinet ministers to talk with you and your delegation, to discuss important aspects of our bilateral relations and of course of the Bush initiative, which as you know has been welcomed in Latin America, and has been the stimulus to take more seriously the possibility of integration of the region, and to give as concrete a response as possible to the ideas represented in your initiative. (C)

On November 30, I attended a meeting of Andean Group presidents in La Paz, and I received a mandate from the Presidents of Colombia, Peru, Ecuador, and Bolivia, to tell you our views on the importance we give to the EAI initiative and tell you of the concrete steps we've taken to have a common market in place by December 30, 1991. (C)

We agreed we should raise with you our ideas about the Bush initiative, and discussed the possibility of a meeting with you

of all of the Andean Presidents to discuss this and to give you our views, as well as to give you our views on how to reach agreement for the results of the Conference on the Environment in 1992. (C)

I don't expect an answer right away, but ask that you take into account this wish of the Andean Pact Presidents. I know that usually American presidents look upon these meetings with some fear, as they have some experience with Latin American rhetoric, and know that the U.S. gets blamed if nothing is achieved. (C)

But things have changed. This meeting would be a broad (amplia) one, so there would be an example of the new relations between the United States and the region. The Presidents of the Andean Group have a very solidary position (on this). (C)

In relation to our bilateral relations, we are discussing a bilateral framework agreement on trade and investment. This is on the verge of being signed. (C)

Also, given the close relations between us, I wonder whether, in view of our friendly relations, we could create an informal commission to deal with multiple issues in our relations. I don't want to repeat what you have done with Mexico. That is a very special relationship. And I know that if we were to repeat this with Venezuela, the other countries of Latin America would want to do the same. That would be a big headache (un enredo muy grande). But I think that we need an informal mechanism to deal with the many subjects that interest us. (C)

On another issue, I very much lament that the GATT process has broken down. (C)

The President: Yeah, terrible. (U)

President Perez: There is a feeling by our businessmen who have increased their exports, that they have encountered a lot of problems getting into the U.S. market. Problems with products such as mangoes and melons. (C)

There have also been problems in the case of basic companies. And we have also had some difficulty in the exports of aluminum and steel. Quite frankly, we don't feel that we've been treated with the consideration which we deserve. Pretexts are being sought to limit our exports. This is of great concern. We have lots of companies which want to export. Aluminum, for example. With regard to energy (supplied to the aluminum producer), this was considered in the U.S. as a subsidy. We need to have a fair examination of the situation. (C)

As for export bonds, we are eliminating these. This is no longer a problem. Finally, the issue of oil. We are willing to reach an important, transcendental agreement. We have major reserve

potential. We are a secure, reliable and efficient supplier. As we mentioned last night, we are very concerned about the immediate future. The Middle East problem will not be solved soon. Saddam's action has begun a greatly destabilizing process. I'm very pessimistic about a possible settlement without a war (una salida sin guerra). Even if there is no war, another problem has been injected into the region. This involves action against the present regimes, the emirs and kings in the region. We know of an ayatollah from Mecca, who is stirring the region against the monarchies. This information makes us believe that the Middle East problem will not be solved when the Iraq-Kuwait problem is resolved. The possibility of sabotage to the oil refineries of Saudi Arabia also makes us realize that the problem of refining is critical. If refineries are destroyed in Saudi Arabia and destroyed in Kuwait, this will have a major impact. We could see the paradox of seeing lowered petroleum prices, but with the prices of oil derivatives rising sharply. (S)

We should reach an agreement on increasing Venezuela's oil production and Venezuela's refining capacity. As you know, we have a problem in allowing foreign investment in drilling and exploitation of oil. But Mexico has the same problems regarding private investment. In the medium term, this can be resolved, but this government is not free to do this right away. (S)

But we could reach agreement on refining in Venezuela, with the involvement of private investment. It would be possible to work on financing to increase production, as you have done with Mexico through the Ex-Im Bank. We know what reserves we have. We need capital to increase our production. (S)

The President: Thank you, Mr. President, for your presentation. I know that some details have already been discussed by our advisers. With your permission, I'd like to review briefly our discussions. Because I value your judgment so much, the President and I spent most of our time on Central America. It is very important to me to know how he sees what's happening there. We have a big philosophical stake in the success of these democracies. You know I have talked about a hemisphere that is totally democratic. This is almost true. Cuba is the lone exception, of course. (S)

President Perez: Mr. President, we haven't talked about Cuba. (S)

The President: That's okay with me, because you already know my views on Cuba. We are all in this together. Countries like Honduras have special problems. We also talked about Nicaragua, and Haiti. I'll debrief our side. (S)

As for a bilateral commission, there is a special relationship with Mexico. But perhaps we could have a meeting that would meet once or twice a year informally and that would do what a

bilateral commission does with Mexico. We will talk about this with the Secretary to see how this could get going. (C)

With regard to oil, I'm sensitive to the problem of foreigners owning and exploiting oil. In this type of case, if there is a huge investment, there would have to be a commensurate disproportionate return for the investor. There is also a second way, you could offer the option of expanding oil field services. I didn't try to sell Salinas on this because of the history we've had with Mexico, and I want to be sensitive to that. But the more flexible we can be on this subject, the more we can do on the investment side. The more incentive there is, the more attractive the investment will be, and the more can be done. (C)

With regard to Middle East oil and the situation there, I'd be glad to give you my views on that. (C)

President Perez: Of course. (C)

The President: My view has not changed one bit. Given the UN Security Council resolution, we're moving down to a major point of decision. There has also been the recent hostage release. Our bottom line, and our only bottom line, means that he has to get out of Kuwait without conditions. (C)

I very greatly appreciate Venezuela's support for the resolution. This is our only mandate for the talks that we are going to have with Aziz when Baker meets him. There are no other conditions that we are going to discuss. (C)

The purpose of doing this, is to do what King Fahd said to me recently, "to cross every 't' and dot every 'i'." So there can be no misunderstanding on the seriousness of our coalition. I spend a lot of time trying to hold our coalition together. I have moved a military force there -- a strong military force to the region. There is nothing to do except to have him understand how serious we are to see him comply fully (with the UN resolutions). (C)

The President raised a very important point. I'll put it my way. The status quo ante is not acceptable. I have serious concerns about what follows once we get Saddam out of Kuwait. If Saddam pulls out tomorrow, a lot of diplomacy would have to follow. The problems of the region are not solved by withdrawal alone. I'm also worried about the future of the small kingdoms. But I would be a lot more worried if Saddam were allowed to remain in control of Kuwait. (C)

Knowing the sensitivity about U.S. forces in this part of the world, I am even more sensitive to the problem of U.S. forces in the Middle East. Once our mission is completed, our troops will leave. Of course we've had, for the last decade at least, naval

forces in the region to protect ship navigation. We'll continue this after Saddam leaves Kuwait. (C)

I agree with the President that there is no oil shortage right now. This recent roller-coaster in prices is based on pure speculation. The help from Venezuela helps assure that the price of oil maintains some stability. (C)

I'm not worried that if Saddam attacks, that he can do anything on the Saudi oil fields. This is not just Yankee chauvinism. The forces against him, and our early warning system are what I base this on. I share your concerns on sabotage and terrorism. We need to stay in close touch on this. The U.S. is 50 percent dependent on foreign oil. The more cooperation on this issue, the better. (C)

I didn't respond on the meeting with the Andean Presidents. This is an important subject. But let me get back to you on this, on whether this is the best way. I thought Cartagena was a good meeting on a narrow subject, but let me get back to you. Oh, on the Uruguay Round, we're disappointed. But we're not going to give up on it. I thought the best way for all countries to expand trade is to protect the achievements of free trade, to have the round be a success. I'm not saying that the GATT and bilateral agreements are mutually exclusive, but the best way to get this solved is to get a success in the GATT Round. If the Round is dead and buried, never to raise its head again, we'll have to do a lot more talks with our neighbors, to assure we have the best trade possible. Your Foreign Minister has been jet-lagged out getting back from there, trying to get a good outcome. We phrased our statement on the Round (of December 7), to leave the door open, to try to get it going again. Korea and Japan are a little reluctant. They don't want to do the things necessary on agriculture. This is just a quick overview. I'll be happy to answer any questions. (C)

Oh, one word on the EAI. We don't want it to be another slogan coming out of Washington. There is too much at stake. We want it to succeed. I appreciate the warm words of support that Venezuela had on this. (C)

President Perez: Does any member want to comment? (U)

The President: I'd like to ask Secretary Brady to comment on the Brady Plan and some economic problems. (C)

Secretary Brady: Thank you, Mr. President. We had a full discussion with the Venezuelan delegation, discussions about the debt strategy. On the Venezuelan debt agreement, we view this as opening up a new frontier for the strategy, because of the successful and innovative approach taken by Venezuela. We think this will add to the possibility of others solving their debt problems. (C)

We are also greatly heartened by the information that Venezuela is growing again after a slowdown in previous years. We know how hard it was to implement that plan, but we are delighted that it is showing positive results. (C)

President Perez: I will take another opportunity to reiterate our gratitude to Secretary Brady under the Brady Plan, which according to Secretary Brady should really be called the Bush Plan. (C)

The President: Only if it is a success. (C)

President Perez: (laughs) It already has been a success. (C)

The President: We're very pleased with the cooperation on important economic programs. But I'm more concerned than when I came here about the economic problems in Central America. We'll be talking about this on our way back to the States. (C)

Of the countries I visited, Brazil has the most complex problems. Argentina is a situation where privatization is bearing fruit fast in terms of their ability to refinance their debt. Brazil is lagging a bit behind. But I have great respect for President Collor, who is very good. Chile is something else again. They're ahead in terms of their economy. I, like you, am so impressed with President Aylwin's approach to democratization and the improvements there. If I can hold the floor 45 seconds more, I'd like to comment on what we talked about in Chile. I was the first U.S. President to visit Chile since Ike. President of the Senate Valdez, who used to be at the UN in the UNDP, said to me at the State Dinner that this is a truly historic dinner. He pointed to one corner of the building where the dinner was taking place, and said that's the room where Allende killed himself with a machinegun given to him by Castro. He did this after the palace had been bombed. Over there, Valdez said, at the first table in front of us, is General Pinochet. At the next table beyond that is Mrs. Allende. This is the first time this has happened -- ever. Valdez said that the dinner not only marked the reconciliation between our two countries, but also a sign of how far Chile has come internally. This was an insight into more turbulent times. (C)

President Perez: You've spoken of Brazil and the problems they have. This has become harder for them because of the oil problem, which puts them in a profound crisis. Petroleum prices, under the Middle East situation, are being subjected to speculation. We have evidence of it. We thought we might need to go all out to increase our total production by 500,000 barrels per day, but we found we only needed to raise it 300,000 barrels per day. This shows there is no real scarcity. (C)

I want to raise again the possibility of an agreement between producers and consumers. To avoid speculation on a very basic product. In Central America, in addition to all their other problems, this new problem has fallen on them. This in spite of the fact that we are opening a new credit, under the San Jose Agreement, from 20 to 30 percent. (C)

Chile will also be affected. We are also seeing the economic adjustment programs being ruined because of the oil bill. We need to do something about this. We've created a fund for macroeconomic stabilization. Using funds that come into us over the amount of \$19 a barrel, we will create a fund to buffer ourselves against what may come in the future. We have to be prepared. But we need to do what we can to stop specialization. (C)

The President: That is difficult to do. I think there is little more that we can do except to say from this forum that there is no scarcity of oil. Right now every little hiccup out of Baghdad or comment out of Washington makes the market jump up and down. It is very difficult to control free markets. Your position to speak out, to step up production, is welcome indeed. A lot also rests with us to deal with the Gulf situation. (C)

Now, do we have to go out and face the press? We don't want to make them too mad. (C)

President Perez: Yes, we have to talk to them. (U)

- End of Conversation -