

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Luis Alberto Lacalle of Uruguay

PARTICIPANTS: The President  
Nicholas Brady, Secretary of the Treasury  
John Sununu, Chief of Staff  
Brent Scowcroft, Assistant to the President for National Security Affairs  
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs  
Richard Brown, U.S. Ambassador to Uruguay  
William T. Pryce, Senior Director for Latin American and Caribbean Affairs, NSC Staff (Notetaker)

Luis Alberto Lacalle, President of Uruguay  
Hector Gros Espiell, Minister of Foreign Affairs  
Eduardo MacGillycuddy, Uruguayan Ambassador to the United States

DATE, TIME AND PLACE: May 21, 1991, 3:00 - 3:40 p.m. EST  
Oval Office

President Lacalle: I can't tell you how much the people of Uruguay support the Enterprise for the Americas. They are supporting it not only in the cities, but in the small villages. People are talking about their hopes for the Enterprise, especially young people. One-half of the population of Uruguay is under twenty. But I have been telling everyone -- this is businessmen, politicians, everyone -- that there are two big pieces of news in the hemisphere: the MERCOSUR and the Enterprise. They merge very well, each helps the other. (Ø)

I had lunch with Senator Lugar. He is supporting the Enterprise. I am talking with congressmen looking for votes. (Ø)

The President: We are pressing for passage. (U)

Secretary Brady: We believe we will get a pledge for \$500 million from the Japanese. The Vice President is talking with them now. You are also asking for \$500 million. (Ø)

The President: There is a relationship between fast-track for Mexico and the Enterprise for the Americas. (U)

President Lacalle: Ambassador Brown and I talked about this. I have talked with the press on several occasions and told them about the advantages of fast-track with Mexico. I believe there is a great deal of favorable opinion for this. There is support not only for the Enterprise for the Americas, but also for Mexico and fast-track. On the question on the MERCOSUR common market, we will have a market of 200 million people where we now have a market of 3 million people. This is a positive thing, and there is linkage. (Ø)

I had dinner with Enrique Iglesias and he had a request he wanted me to pass on to you. Enrique wants to have a meeting on the Enterprise in September and he would like to invite important businessmen to the Inter-American Development Bank and to have the Enterprise for the Americas as a central feature. He would invite fifteen heads of state and would like to sponsor such a program if you would be agreeable. (Ø)

The President: Let us think about it. If that would help get the process moving, it might be worthwhile. (Ø)

President Lacalle: This is not just for politicians and diplomats. This time the people believe they have an interest in the Enterprise. (Ø)

The President: Let us follow up on this. We have expressed our interest. I don't think we have a lot of resistance in the Congress. I will tell them of your interest. CAP and Manley both expressed their interest and it was very helpful. I will tell people of your interest. (Ø)

President Lacalle: I think that in Geneva there is a more somber note. Uruguay will be presiding in the last round of the Uruguay talks. We have to have people realize that the Europeans are not making the contribution that they should. We want a successful agreement, but we do not want to accept just any type of accord. The Europeans are behaving strangely against our country. Their selfishness is unfortunate. They have a lot of weight, but are not acting properly. This tends to make people more aware of other alternatives in the Hemisphere. (Ø)

The President: How are things going in the economy? (U)

President Lacalle: Since you came to Uruguay we have signed a debt agreement. Also on April 30, we opened bids for investment. We have \$50 million in debt. We have gotten over \$600 million in for investment programs. We can't handle it all, but will try to be as positive as we can. (Ø)

I think people are looking at Uruguay as a way to enter the Southern Cone common market. We are going around saying we will be in the big leagues within five years. There needs to be much change, for example, on the attitude of the unions. When you start on new things there is always a worry about risks. We will have the first vote on the privatization law this week.

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Ambassador Brown knows about votes in the Congress, he is a very good ambassador, I think we will break the mold. (Ø)

The President: That is good. (U)

President Lacalle: The inflation situation is very good. (U)

The President: I thought you knocked it in half. (U)

President Lacalle: It is going down. It is like the tooth of a saw -- it goes up and down very four months and each tooth is lower than the previous one. By the end of the year, we will have reduced the rate to about one half of last year's. (U)

The President: Is the adjustment tied to inflation? (U)

President Lacalle: The adjustment is pegged to what I indicate. That is why we are having a general strike [laughter]. (Ø)

Pegging against inflation was the work of the old regime. It was bad, we had to change it. However, you must give some oxygen from time-to-time. The power of the President is not very great. The Social Security system is draining everything. It is like a black hole. (Ø)

The President: What is the strike about? (U)

President Lacalle: It is for higher wages, of course, and against the State, meaning against privatization. The news about investments could be well received. We are receiving \$500 million from tourism in Punte del Este, which is our biggest earner. It is bigger than any other single item. (Ø)

The President: We are grateful for the encouragement you gave us on the Middle East. I hope it didn't burn you. (Ø)

President Lacalle: No. (U)

The President: I hope you did not draw fire from the left. (U)

President Lacalle: No. There was some criticism from leftists, but it did not create a real issue. The real issue was the price of oil, and the loss of our mutton sale due to the embargo. We lost \$53 million dollars. (Ø)

President Lacalle: This problem came up in the winter time when the situation was a little more relaxed. If it had been the heat of the summer, it might have caused more problems. (Ø)

The President: Does the capital completely shut down during vacations? I mean, is it like Paris when everybody goes out of town? (U)

President Lacalle: From Christmas to Easter there is not very much activity. If you are in the capital people say, "why are

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you here?" I ruined some people's lives by have serious meetings in January. (S)

The President: What did you do in Canada? (S)

President Lacalle: We are looking eye-to-eye with Canada. We are both involved with the Enterprise for the Americas. Canada is now involved in the Organization of American States. On the commercial level, we are both lacking in some areas. Our approach is for one of cooperation. (S)

The President: How are things going on debt relief? (U)

Secretary Brady: Things are going well. If we can get debt relief through the Congress, there should be a good possibility for Uruguay. (S)

The President: I think someone is trying to get your attention with a vote. (S)

Ambassador MacGillycuddy: Uruguayan request..... (S)

President Lacalle: I know. I don't want to have a shopping list. We have some needs we talked about in November, but could use planes and ammunition. These planes are use for search and rescue. Also, we have as in other countries, need to resupply our Antartic base. (S)

The President: We are a little tight on funds, but are trying to find a way to help there. (S)

President Lacalle: There is a factor of technology and the environment. There is a realization that we are in the same boat. (S)

The President: What has been involved in a big way in fast-track is that people are saying that it could hurt the environment. President Salinas has shut down some 900 factories. We are trying to turn this around by saying if there is going to be economic improvement in Mexico, that is good for Mexico and for us. This makes it more possible to do the things needed on the environment. We are trying to turn this around and make the argument that increased trade will increase the possibilities of improving the environment. (S)

President Lacalle: We have to prepare for the conference on the environment in Brazil which is full of thorny problems because the Brazilians are not on the same wave-length with you. Anything you can do to smooth this would be good. (S)

The President: President Collor is coming soon, I think. (U)

Mr. Pryce: On the 18th of June. (U)

The President: If there is anything that you can think of that would be useful to say on this, let me know. (S)

President Lacalle: I think you could tell him Brazil was, according to theory, supposed to be corresponding to the United States, if not equal. I think you should tell Collor that Brazil will be leading the MERCOSUR. He is a man of great energy. He is very, very energetic, very kinetic. I think that if you tell him that he is the big power in the MERCOSUR, that would give him a good feeling and it would be useful. (Ø)

The President: How about Menem. How is he doing? (U)

President Lacalle: Argentina is a peculiar country. You can do things there that you could not do in Uruguay. I would be shot if I did some of the things he does! However, he is moving forward to make real progress. He has burned his bridges. He is a man of great abilities. (Ø)

The President: When I was there and we were going to play tennis, he showed up with two beautiful statuesque women. He has a special affinity for the women. (Ø)

President Lacalle: That's what I mean. (Ø)

The President: He looks younger than he is. I think he is about sixty. (U)

President Lacalle: I think he had a facelift. They say he was stung by a bee. But I haven't seen him since the bee stinging. There is a joke in Argentina which says that when people see Menem's doctor, they say "there's the bee." (Ø)

The President: Is Menem coming up here? (Ø)

Mr. Pryce: We are working on a visit, there is nothing definite yet. It is under consideration. (Ø)

General Scowcroft: There is nothing definite on that now. (Ø)

The President: How about Chile? Is Aylwin doing all right? (Ø)

President Lacalle: Wonderful. We did not realize how shrewd Aylwin is as a politician. It was amazing what he was able to do. He was leading a left to center coalition and encountered an economic system which was doing well. He was able to convince his leadership that the economic system should not be changed. There was a problem of assassination of a leader, Senator Guzman, a leader on the right. (Ø)

Assistant Secretary Aronson: There is a lot of terrorism on the left. (Ø)

President Lacalle: They are doing a lot of damage. (Ø)

The President: We were very impressed with him. We went up to visit him in a modest house and he was obviously proud to have us there. We had a lunch, I think, then we went to the palace. (U)

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Mr. Pryce: Then the dinner. (U)

The President: Yes. There was former president Pinochet at one table, Mrs. Allende at another, and the son of Letelier at a third. The president told me that no one ever thought that this would happen, that it was an historic event. (Ø)

President Lacalle: Aylwin's trip to Europe was a success. (Ø)

The President: Is Pinochet giving him grief? (Ø)

President Lacalle: Pinochet made a trip to Europe and nobody wanted to see him. He visited Lisbon and was accepted there, but the British told him that there was no way that they would receive him. A number of countries do not want him there. (Ø)

However, you have to remember that Pinochet got 42 percent of the vote. Aylwin got 48 percent. Pinochet was not completely rejected. Aylwin and I have a very good relationship. I think, and this is a personal opinion with no evidence, that Aylwin and Pinochet have established an agreed relationship. (Ø)

The President: It certainly is a delight to see you! (U)

President Lacalle: Don't exercise too much. (Ø)

The President: No. Exercise is fine and my heart is in great shape. The doctors say no problem with exercise once I get my thyroid properly controlled. (Ø)

The meeting closed on a warm exchange of amenities. (U)

-- End of Conversation --

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