

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with President Jorge Serrano of the Republic of Guatemala on June 11, 1991 (U)

PARTICIPANTS: The President
President Jorge Serrano
Notetakers: Bill Pryce/David Pacelli

DATE, TIME: June 11, 1991, 10:40 - 11:07am EDT
AND PLACE: The Oval Office - Presidential Palace

The President returned a phone call from President Serrano which he was unable to take earlier. President Serrano spoke in English. (U)

The President: Hello Mr. President, how are you? (U)

President Serrano: Hello Mr. President. How are you, sir? I'm just fine, just working away here. (U)

The President: All is well here. I am feeling okay. I'm delighted to hear from you. (U)

President Serrano: I would like to talk with you on a couple of questions. I've been trying to call you for two weeks. (U)

The President: This is a good time to talk. I'd like to know about any problems you might want to bring up with me. (U)

President Serrano: I don't know if you remember me. We've met several times. (U)

The President: Yes, I think I met you in a meeting when I was down there at one point. (U)

President Serrano: Yes, I also met you in your office with Charlie Bartlett. (U)

The President: Charlie Bartlett has told me about you. He's a very strong supporter of yours and I feel like I know you. He went down to your inauguration. (U)

President Serrano: Thank you for taking this call. We have a lot of problems here. (U)

The President: Please tell me what they are. We haven't talked yet. We want you to succeed; we want democracy to succeed.

Please tell me your problems, I'd like to know what we can do to help. (S)

President Serrano: Thank you, Mr. President. First, my party and your Republican party have had a long, very good relationship. We got support from the National Republican Institute for leadership training. We are members of the International Democratic Union, brother parties. (S)

The President: Yes, sir. (U)

President Serrano: Our government is encouraging a conservative policy in Guatemala. Yet, we've got a situation where our countries are not as friendly as they might be. (S)

The President: You mean when you came in? (U)

President Serrano: Yes, regarding human rights and several other subjects. At the beginning, they said that this is a sticking point. We have made improvements but this is still the situation we face. (S)

The President: Are they still beating up on you? Are they still giving you a hard time? (S)

President Serrano: We would like to have the best relations with the White House. We are working together and ideologically on a same line. I was helping with Panama. I was a member of the Carter election observer mission to Panama. I also was President of the observer mission of the International Democratic Union in Nicaragua. When my party was in opposition, we had a good relationship with your party. What I do not understand is why we can't go ahead with your Administration. If we are ideologically the same and do our best; if we can present accomplishments, then there should not be problems. We have had a good relationship with the Republican side in the Senate. We are doing all we can to get a resolution, which Administration people are helping with in Congress, in order to have a better relationship. I want to ask you to help me from the House side. What I would like is help from the White House. We need more understanding from the State Department. It could be a different view from the White House. I want to have an objective person from the White House staff to come to Guatemala to understand what we are doing and have a more objective view of the situation. (S)

The President: I have a couple of comments. I don't want you to feel that the Administration is opposing you. You are right about the philosophical identity. We are pleased with your approach to a number of difficult problems. One way you have been very positive with dealing with the guerrillas. I am thinking about the agreement your government reached with the guerrillas in Mexico in April. We view this as historic. I hope we made clear our appreciation of your courage in taking that historic step. Thanks to your efforts, your country now has a better chance for peace. So, I salute you and it is a step that we fully support. If that is not coming through, we have to do

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better. And if State is not passing that message of approbation, we want to know. We want to salute you where you have made progress. (S)

What are the main problem areas you face? Economic? (S)

President Serrano: Yes. (U)

Let me tell you a couple of other things. We are helping on the drug problem. We are combatting drugs. We are absolutely against drug trafficking. We are trying to do our best. Guatemala was number three in opium production. We don't like that. But we cannot do it alone. They are extremely powerful. They have a lot of money. We need your help. It is good for you and good for us. (S)

The peace process has been difficult for me. I am the first civilian president who took real power. I changed the military commander. Now, I am the real commander. And then there is the peace problem. After thirty years of inactivity, I have been able to get together with the guerrillas. We are having a meeting next week and maybe we will have results in that area. (S)

There are three main economic problems. There is \$50 million which was in the last budget for external assistances. (S)

The President: Yes, it is called ESF. (S)

President Serrano: This is directly for balance of payment support. We don't need it for internal purposes. We need it for international organizations. We need to pay to international organizations part of the foreign debt and to open windows that I get closed which make it possible to deal with the social problems of the country. Let me tell you that when I came in, just four months ago, the government had only 4.5 million in reserves. Now, with the confidence of the private sector we have over \$500 million. In collection of taxes, we are doing well. We are reducing the deficit. If we keep it up, at the end of the year we will have 15 percent inflation instead of 85 percent inflation under the last government.

The President: My, that is a real drop. (U)

President Serrano: We are doing this with a lot of sacrifice. That is why we need \$50 million to help to solve our external debt problems. AID says that we must first reach agreement with the IMF. We want to talk to them, but to do it when we have made our adjustment, in our time. Since we have made changes in our economy, we will be ready to do what they ask of us. They see our policy working, but the 50 million we need ahead and is still in the hands of AID. (S)

Relations with your Ambassador and State are improving, but we would like this money as soon as possible. Not for my budget in Guatemala, but to open the windows of the Inter-American

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Development Bank, the World Bank, and the Central American Bank for Economic Integration. (S)

The President: I thought that was our policy. I thought that the 50 million should be used to support a program with the IMF. Isn't that what you want to do? (S)

President Serrano: Yes. But we can't wait for two to five months. We don't have time to develop a program. So if there is no support from your side, we could fail with what we are trying to do here. (S)

The President: Let me look at this. We don't want you to fail. We want you to succeed. I thought that an economic program would help with the IMF. I will talk with Treasury people to see that we are not overly restrictive. I know how IMF agreements are tough, but this is not against Guatemala. If you have problems, we want to help, I will get with the Secretary of Treasury. I will also talk with General Scowcroft, our National Security Advisor, to see if we have any flexibility. (S)

Now, on the drug question, we would be glad to have a drug official come -- not someone from State, but someone like Governor Martinez, the head of our drug office -- if that would be helpful. (S)

President Serrano: Yes, that would be helpful. Drugs are increasing tremendously, switching their operations to Guatemala. We are giving all assistance that you are asking. We still have the problem of the guerrillas and other problems. As you know, we don't have military assistance. So, the equipment we have, we have to use it to fight the guerrillas. We lack resources for fighting drugs. This is still something in which we would like to have some help. We can achieve more with it. We have been satisfied with the program we do with you, but we think it is not enough to have to find a solution to the problem. (S)

The President: Let me tell you, that is in our interest. I will talk here and perhaps we can have a high-level drug official to visit you. We call him our drug czar. That is not his official title, but that is what he is called here, the drug czar. Governor Martinez has come back from a follow-up meeting to Cartagena, visiting Peru, Bolivia, and Mexico and he had some positive things to say. (S)

President Serrano: We are willing to work with him. A third point is military assistance. This was cut off one month before I became president. The move was made to send a message to the past president but it is affecting me. In Guatemala, if you want to support civilian government, and civilian control of military groups in Latin America, you have to have the bonds to do it. If you could help on this. I have made strong decisions with the military and I will keep doing this. I changed the chief of intelligence and I changed the High Command of the army. I did this to get control. But at the same time, you are cutting military support, this makes my position weaker in the face of

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the military. They have real problems with their military equipment. (S)

The President: Let me comment. You are right that the suspension of assistance was meant to send a signal to your predecessor. It was specifically triggered by military involvement in the case of the murder of Michael Devine, a U.S. citizen. We appreciate your efforts and we are eager to see a judicial resolution to get it removed as a irritant in our relations. The problem is that we have a big Congressional problem. You have got to convince them, for they play a big role in human rights. I hope you will continue to work with us on the criteria for reestablishing our military aid relationship. You are hearing here maybe for the first time that we want to see the aid relationship reestablished. Frankly, we have worked hard to get Congress to reduce the conditioning language it wants to impose on aid. I don't control Congress. I think they recognize that you have made progress. I'll say this. If you need to make more progress, we need to tell you what needs to be done. We should tell you what it is you need to do in addition to what you have already done. (S)

Do you feel that State is opposing what you are trying to do in this? (S)

President Serrano: No, no. I sensed a feeling of cooperation from State. I sensed a progress in the Congress. They were working on a final draft to be considered in the Senate. We have good friends on the Republican side. We feel we need a stronger support for Guatemala. (S)

The President: Let me look at that. It is food for thought. You mentioned our Ambassador. Tom Stroock is an old friend. We got the feeling that he was doing a very good job. Charlie Bartlett told me what a great job he was doing. We don't want you to think that the Ambassador is working against you. Let me look into that. On the other hand, they have certain instructions as it relates to ESF and military assistance. It is good to have this call. We don't want you to think that we are not positive. (S)

I will follow-up on ESF and military aid. I will follow-up on a drug mission and get someone to come down there to talk about the issues you have raised. I want to make sure that we are not pulling away and letting you face these things all alone. (S)

President Serrano: Thank you. Relations with the Ambassador have improved much in the last two weeks. He is understanding my needs. (S)

The President: Wonderful. He is not just my friend. He gets orders from the Secretary of State. But I don't want to learn that a guy from the White House is getting crosswise with the President of a country. I will follow up on the other points and let that rest for a while. (S)

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President Serrano: The problem is that he is over-evaluating the democracy problem. We are doing our best, but you have to understand the limitations we face dealing with a corrupt judicial system. (S)

The President: Oh, no, I understand. (U)

President Serrano: We are working on four or five cases, and there are other countries that have hundreds of cases. We are doing our best. We have put as Minister of Government, a former Congressman. We are getting help from Chile on human rights. We are getting support from Caribbeans to help change polices. We will keep working on this. We want to do more over the next several months. We need time. We made this clear with the Ambassador, and there has not been any problem. (S)

The President: I will try to follow up. The big point I want to make is that I appreciate your call. You have a friend in the White House. We will try to help. But we have constraints and Congressional problems. (S)

President Serrano: We are working in Congress -- if you could help there. (S)

The President: We will try very hard. I appreciate the phone call. (U)

President Serrano: Let me express my admiration for your Administration and the American people. Thank you for your words of interest and support. (S)

The President: Thank you for your kind words. (U)

President Serrano: Thank you and say hello to your family. (U)

The President: Thank you. Will do. And the same to yours. (U)

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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with President Jorge Serrano of
Guatemala on June 11, 1991 (U)

PARTICIPANTS: The President
President Jorge Serrano
Notetaker: David Pacelli

DATE, TIME June 11, 1991, 10:40 - 11:07 a.m. EDT
AND PLACE: The Oval Office - Presidential Palace

The President returned a phone call from President Serrano which he was unable to take earlier. President Serrano spoke in English. The following topics were discussed: (U)

Establishing a Relationship

President Serrano began by saying that he had been trying to call the President for two weeks. He said that he did not know if the President remembered him, but that they had met several times, including one time with Charlie Bartlett. (✓)

President Serrano said that his political party had a long established relationship with the U.S. Republican Party, including support from the National Republican Institute for leadership training. The parties are brother parties through the International Democratic Union, and shared the same ideological perspective. President Serrano also said that he personally had worked for goals which the United States shared, such as participating in President Carter's election observer team in Panama, and leading the IDU team to Nicaragua's election. (✓)

Despite these points in common, President Serrano believed that we had a situation where our countries are not as friendly as they might be. President Serrano said several times that he wanted to have good ties with the President. He had good ties with Senate Republicans, but he needed the President's help with the House side. (✓)

The President said that this was a good time to talk, that he very much welcomed the call, and that he wanted to discuss any problems which President Serrano wanted to bring up. The President recalled that Charlie Bartlett was a strong supporter of President Serrano, that Bartlett had told the President good things about him, and that as a result the President felt like he knew President Serrano. (✓)

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The President expressed his support for President Serrano, and that he had a friend in the White House. He said that he did not want President Serrano to feel that the Administration was opposing him. President Serrano was correct about the philosophical similarities. (✓)

The President said that he was pleased with the way President Serrano was approaching a number of different problems. The President cited Guatemala's agreement with the guerrillas in Mexico in April, and said it had his full support. The President said he viewed this as an historic agreement, and he hoped that we had made clear our appreciation of President Serrano's courage in taking that historic step. The President said he hoped that the State Department has passed on to President Serrano our support and approval for this agreement, since we wanted to salute him where he had made progress. (✓)

Relations with the Embassy

President Serrano said that he had had problems with the State Department, and that he needed more understanding. He suggested that perhaps there was a different view from the White House. He suggested that the President send "an objective person" from the White House staff to Guatemala to understand what he was doing and have a more objective view of the situation. (✓)

Nevertheless, he asserted that relations with the Ambassador and the State Department had been improving recently. He cited State Department help on recent foreign aid discussions in Congress. President Serrano said relations with the Ambassador had improved much in the last two weeks, and the Ambassador is understanding his needs. (✓)

The President said he was interested in learning President Serrano's views. He did not comment on President Serrano's suggestion of a special emissary. The President said that Ambassador Stroock was a good friend of his, and that Charlie Bartlett had told him what a great job he was doing. The President did not want President Serrano to think that the Ambassador was working against him. The Ambassador also has instructions from the Secretary of State on specific topics, such as on ESF and military assistance. (✓)

ESF

President Serrano requested immediate release of \$50 million for ESF. He said that this was not for internal purposes, but for paying debts to international organizations. (✓)

President Serrano supported his case by telling the President of his economic accomplishments: reserves had increased from only

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\$4.5 million to over \$500 million; tax collection had improved; and inflation, which was 85 percent when he entered office, would drop to 15 percent by year end. (C)

President Serrano said he wanted to talk to the IMF, but to do it on his own schedule. Since changes have already been made in the economy, Guatemala would be ready to do what the IMF asked. Guatemala could not wait for two to five months; it did not have time to develop a program. He said that he could fail in what he was trying to do without support on this issue. (C)

The President said that he did not want President Serrano to fail. The President said that he thought that our policy was that the \$50 million was to be used to support a program with the IMF, and that he thought that this was what President Serrano wanted to do. The President said that he would talk to Treasury to see that we are not being overly restrictive, and that he would get back to President Serrano. (C)

U.S. Military Assistance

President Serrano said that the U.S. cutoff of military aid, which was meant to send a signal to President Cerezo, was having a negative effect on him and on his relations with the Guatemalan military. He said that he had taken several strong steps to assert civilian control over the military, including replacing the High Command and chief of intelligence. He said he had made strong decisions with the military, and intended to continue doing so. The withholding of U.S. military aid made his position weaker with the military, and they have real problems with their present equipment. (C)

The President said that President Serrano was correct in noting that the aid suspension originally was meant to send a signal to President Cerezo. It was specifically triggered by military involvement in the case of a U.S. citizen, Michael Devine. The President said we appreciated President Serrano's efforts to get a judicial resolution in order to remove it as an irritant in our relations. Nevertheless, there also is Congressional interest in this issue. The President noted that the Administration had worked hard to get Congress to reduce the conditioning language it wants to impose on U.S. aid. (C)

The President said that he hoped that President Serrano would continue to work with us on the criteria for reestablishing our military aid relationship. We want to see that relationship reestablished. The President said that if Guatemala needed to make more progress, we needed to tell President Serrano what additional steps were necessary. (C)

President Serrano said that he was doing his best on human rights issues, and that he would keep working on this. He said that he

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wanted to do more over the next several months, but that he needed time. President Serrano asked for understanding of the limitations he faced with a corrupt judicial system. (S)

Drug Cooperation

President Serrano said that he was doing all he could on combatting drugs. He said that he did not like the fact that Guatemala was number three in the world in opium production. The drug traffickers were powerful and had substantial resources. Guatemala was giving to the United States all the assistance it had asked for, but it lacked resources. Guatemala was satisfied with the U.S. program of cooperation, but it needed more help in order to achieve greater results. (S)

The President indicated that he would be glad to have a high-level drug official, such as Governor Martinez, go to Guatemala to talk with President Serrano, if that would be helpful. President Serrano said it would be helpful. (S)

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR MR. R. BLAIR DOWNING
Director, Executive Secretariat
Department of Transportation

SUBJECT: The President's Telephone Conversation with
President Serrano of Guatemala, June 11, 1991 (U)

The President discussed U.S. Economic Support Fund aid to Guatemala during his telephone conversation with Guatemalan President Jorge Serrano on June 11, 1991. The President indicated that the U.S. Government would reexamine its policy that Guatemala must conclude an IMF agreement before \$50 million in ESF is released. The summary of the conversation (Tab A) should be forwarded to Under Secretary Mulford. It has also been forwarded to the Department of State and AID so that the issue may be reviewed by the NSC Policy Coordinating Committee. (S)

William F. Sittmann
Executive Secretary

Attachment
Tab A Summary of Memorandum of Conversation

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SUMMARY OF THE PRESIDENT'S TELEPHONE CALL
TO PRESIDENT SERRANO OF THE REPUBLIC OF GUATEMALA

ESF

President Serrano requested immediate release of \$50 million for ESF. He said that this was not for internal purposes, but for paying debts to international organizations. (Ø)

President Serrano supported his case by telling the President of his economic accomplishments: reserves had increased from only \$4.5 million to over \$500 million; tax collection had improved; and inflation, which was 85 percent when he entered office, would drop to 15 percent by year end. (Ø)

President Serrano said he wanted to talk to the IMF, but to do it on his own schedule. Since changes have already been made in the economy, Guatemala would be ready to do what the IMF asked. Guatemala could not wait for two to five months; it did not have time to develop a program. He said that he could fail in what he was trying to do without support on this issue. (Ø)

The President said that he did not want President Serrano to fail. The President said that he thought that our policy was that the \$50 million was to be used to support a program with the IMF, and that he thought that this was what President Serrano wanted to do. The President said that he would talk to Treasury to see that we are not being overly restrictive, and that he would get back to President Serrano. (Ø)

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