

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Fernando Collor de Mello,
President of Brazil (U)

PARTICIPANTS: The President
The Vice President
Lawrence Eagleburger, Acting Secretary of State
Nicholas F. Brady, Secretary of the Treasury
Carla Hills, United States Trade Representative
William F. Reilly, Administrator of the Environmental Protection Agency
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
David C. Mulford, Under Secretary of the Treasury for International Affairs
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
Richard Melton, U.S. Ambassador to Brazil
William T. Pryce, Senior Director for Latin American and Caribbean Affairs, NSC Staff
Marcel Bouquet, Interpreter
Sophia Porson, Interpreter

Fernando Collor de Mello, President of Brazil
Francisco Rezek, Minister of External Relations

Marcilio Marques Moreira, Minister of Economy, Finance, and Planning

Joao Santana, Minister of Infrastructure

Marcos Coimbra, Secretary-General of the Presidency

Jose Goldemberg, Secretary for Science and Technology

Jose Antonio Lutzenberger, Secretary of the Environment

Pedro Paulo Ramos, Secretary of Strategic Affairs

Gelson Fonseca Junior, Special Assistant to the President for Diplomatic Affairs

Maria Phillips, Interpreter

Alex Schiavo, Interpreter

DATE, TIME AND PLACE: June 18, 1991, 11:00 - 11:35 a.m. EDT
Cabinet Room

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The President: I want to extend my apologies to those of you who have been waiting here. The President and I got involved in a very interesting discussion -- they were very interesting, substantive and became more involved than originally planned. I thought we would use the time here to discuss whatever interests you. Perhaps the best way is for you to lay out what you would like to discuss. We want to be part of the solution not part of the problem. We want to facilitate the difficult congressional decisions you have taken at home. I meant it when I said that U.S.-Brazilian relations are at a peak -- they have never been better and I give credit to many people on both sides of the table for that fact. (Ø)

President Collor: I do believe there are a number of issues we can discuss and we can deal with them and use them to help our relations progress. Fifteen months ago when I took office, inflation was running at 83 percent a month, now it's down to about 7 percent. The budget deficit was at 9 percent of the GDP and now there is a 1.2 percent surplus. On debt we have stopped the moratorium. We negotiated our debt arrears and sent a protocol to deal with this to the Senate. As soon as the Senate has implemented it we will go to the IMF and the commercial banks to renegotiate our debt. For the first time, we have shown a surplus. Fifteen months ago in 1990 there was a \$5 billion deficit, now we have a \$9 billion surplus. Mr. President, please keep this to yourself, don't let the creditors know or they will seek more. The situation is different from the past; we have problems but they are part of the past. I think you agree that we have reached a new level of U.S.-Brazilian relations. The new phase is not just here but in all of Latin America, where we want to launch this new phase. This meeting is very important, because it is a demonstration that the Enterprise for the Americas is being put into practice. This is a very important fact. (Ø)

Regarding trade disputes, we have made progress. I think Ambassador Hills recognizes that progress. But we need to be patient. We don't just do these things alone. We must work with the Congress, and we don't have a majority. We need to go carefully and patiently. We have bills pending in Congress regarding intellectual property rights and informatics. We have done all possible in this regard. Ambassador Marcilio Marques Moreira is now the Minister of Economy and he is working to upgrade our relations in all these matters. (Ø)

Concerning debt, aside from the renegotiation of the arrears and the debt, we want to investigate the possibility of new investment. We have to grow again. All these positive things that we have done are the result of terrible sacrifices. We have tremendous unemployment. We are suffering a recession. The price that we have had to pay is the recession. So at the moment when we have a man leading our economy so qualified as Marcilio, who was Ambassador here, all this assures me that we are ready to embark on a new stage of leadership. The mutual desire to

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cooperate is important. This could be a strong incentive. We need to have people recognize the sacrifices that we have made. (C)

The President: On these trade matters, we want to work with you. We hope your people understand that fast track is not just for Mexico, but Congress reaffirmed fast track to include the entire Uruguay Round. We need the cooperation of Brazil on this. You mentioned battles with Congress on the Intellectual Property Agreement. We want to cooperate, not just with Brazil but we want to bring Uruguay around to a successful conclusion. I'm not too optimistic at this point. (C)

But whatever happens, the Enterprise for the Americas will be a valid concept. We want you to know that in the creation of a free trade agreement with Canada and Mexico, we want to move forward with that agreement. But that's just a start. We hope you will put the same importance on that that we do. Incidentally, the Enterprise for the Americas should not be seen as a conflict with Mercosur, it complements it. You mentioned Intellectual Property Rights. It's important that you put forth a substantial effort on this. We know what you face, but there are some parts, and I think Ambassador Hills has talked with you about them, where we have to work together to make improvements. Mrs. Hills, would you like to say something? (C)

Ambassador Hills: We have to work together on this. If you can energize those who represent Brazil in the Uruguay Round, this could be very helpful. You could increase your exports by \$150 million. (C)

President Collor: I say that you can count on us to help find a solution. We will look for a common denominator. We said at the last meeting that we would come together to have a common position at the governmental level. Now that Ambassador Ricupero, who was at the GATT, will be the new Ambassador here, we will be changing some of our staff. I have just returned from Europe, and don't see encouraging signs for our position. Recent changes in European governments don't seem good for the GATT. But I am an optimist. I believe that we can reach out and make progress. I always like to listen to Mrs. Hills' comments. (C)

The President: Do you want to mention signing the new agreement? (U.S.-Southern Common Market Trade and Investment Framework Agreement.) (C)

President Collor: As you wish. (U)

The President: I want to mention non-proliferation to get it out of the way. I want to congratulate you and Brazil on your plans to put into effect full scope safeguards. I hope that the deadline of September can be met. I also want to mention, if I can pronounce it, the Treaty of Tlatelolco. We would like to get it into force. We hope Brazil can waive it into force. (C)

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President Collor: May I say that there is something more difficult to Tlatelolco than pronouncing it -- and that is understanding it. One thing I don't understand is how you can allow nuclear explosions for peaceful purposes. We have totally denounced all nuclear explosions, as a clear signal of our attitude toward this. My Minister tells me that we will be signing the Accord with the International Atomic Energy Association. We have people discussing this with the IAEA in Vienna now. That is no problem for us. (Ø)

We have sent a law to Congress which provides that no person who worked for the government and had Secret or Top Secret information can cooperate with other governments on nuclear programs or other armaments. This will stop the kind of thing which got us into embarrassment in the past. We want to get new technology. We need access to new forms of knowledge for our development. That is why we need access to this technology. But we do not want technology for use in armaments. I am constantly poking the people on my staff so that we can move forward on this. I would like to ask my Secretary of Technology to speak for a few minutes. (Ø)

Secretary Goldemberg: Mr. President, the question is how thorough is our inspection going to be? I can assure they will be very thorough. A group of people who is knowledgeable on inspections is coming to terms on a method of inspection. The only problem is that people don't want people looking at industrial secrets. But there has never been any thought of cover-up. We have followed this closely. When you come to safeguards, this is complex. Not as much as an Intellectual Property Agreement, though. We are on schedule and we hope the two Presidents will sign the Agreements in Vienna in September. (Ø)

The President: We know that these Agreements are complicated. We have talked with the Soviets about them for years. We know of your legitimate concern. The fact that the Agreement can be signed on schedule is very good news indeed. Larry, is there anything you would like to add? (Ø)

Acting Secretary Eagleburger: The Presidents' stance has shown great courage; this is a great step forward. (Ø)

The President:-- What's next? (U)

President Collor: If I can say something about the Conference on Environment in Rio in 1992. I don't want to pressure but even in terms of humanity, this can be of major importance. This should not only be a discussion on environmental issues. We don't want to be only talking about complaints. If we do this, it will be frustrating. We need to talk on the underlying issues. There is a ceaseless request for progress, which places burdens on the process. If we don't progress there will be a burden on the Continent. We have to find a common denominator which will lead to sustained development. What is needed is for both Countries to have the courage to find understanding to reach common

positions. This is the key to the Conference. As we establish the agenda, we hope that the U.S. President will participate in the positions so that the approach for the Conference will be coherent, so we don't have staff members sitting around going blah, blah, blah, so that we don't make progress. I would like to have my Secretary talk a little about this. (Ø)

Secretary Lutzenberger: As we have made clear, our position has changed from one of development at any cost to sustainable development. If development means using more scarce resources in unsustainable ways then this cannot be good for progress. We are determined to preserve our environment. On our rain forest, we are now working hard to preserve it. It was at one point 10 percent cleared and we had 90,000 kilometers of cleared land; that's about the size of Portugal. But last year we were down to 13 or 14,000 square kilometers. In 1987, the clearing of land was increasing -- it was up. Now the clearing of land in 1991 is down exponentially by 50 percent. Nevertheless, we still need to see what we can do to decrease it. There are 400,000 kilometers; that's the size of France. (Ø)

We must not think about the small farmer who can only survive by cutting and slashing. To ask him to stop that would be like putting a rope around his neck. To do this is easily said but not easily done. Things have been done with chemical fertilization which doesn't work. We must rethink our present industrial culture. This must be done in 1992. We cannot continue as we are now. We must rethink our technology. We don't have to go back to the stone age, but we must have better technologies. This must come about in 1992. We must have some kind of agreement with governments. (Ø)

The President: Let me say in response to President Collor, that we do view it as an important conference. We don't want to have a blah, blah conference. I get the feeling that Brazil previously felt that the U.S. was preaching to and lecturing Brazil. Not this Administration, but the previous. I remember talking about the environment with your predecessor, and I think there was a misunderstanding. I have learned to be more careful. I want to assure you that Bill Reilly and the State Department don't want to look holier than thou on this problem. We understand the problems of cut and slash. I've told our people that we need to find a balance between full scale development without regard for environment and an anti-growth policy that doesn't believe in jobs and development. We need to find that balance. We will work at the scientific and other levels to show that we are interested in a successful conference. Secretary Reilly, would you like to add something? (Ø)

Secretary Reilly: We are ready to work to see that there is a successful conference. We are impressed with the slow down in the rate of cutting. We were together in the Amazon and were very impressed with the work going on. We want very much for the conference to succeed. There is little time left. If we are to agree on what can succeed, there is need to agree to an agenda on climate which will be successful. We need to have something that

we can achieve. We would also like to see an agreement on forestry. We also believe that there must be a delinking; that it is possible to have an agreement on toxic substances which is flexible. We need to agree on those things that we can get -- but we need to indicate a sense of urgency. (Ø)

President Collor: I would like to make one more comment. We need to get things moving, we need to shake things up. We don't seem to get things to move well. I think we can move forward. (Ø)

I just talked with Prime Minister Brundtland (Norway) and also invited her to come to Brazil. We are hoping that her presence in Brazil and that of other leaders will help make the conference successful. I would love to ask President Bush to come to Brazil, but don't worry I won't do it. I believe having leaders attend will be helpful and I talked about this with Mrs. Brundtland. Perhaps we could encourage Washington to put practical ideas into effect which would create events to show that we expect this meeting to be effective. (Ø)

The President: We have run out of time, but as you mentioned we would be happy to work with your people. Perhaps they can get together tomorrow. We know that the meeting is important. We want to have proper positive emphasis when we meet. (Ø)

Will you be meeting with Secretary Brady? (U)

President Collor: Yes, later, we will have a breakfast meeting tomorrow. (U)

The President: We will be seeing each other tomorrow on the Trade and Framework Agreement. Perhaps you and I can talk a little about financial issues then. We have covered most issues. But I urge our Cabinet people to pay further attention to the items we have discussed and to the financial issue. I look forward to seeing you tomorrow. And we can also talk upstairs a little bit this evening. (Ø)

President Collor: Thank you so much for this meeting, I believe it has been very productive. (U)

--- End of Conversation ---