

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Alberto Fujimori, President of Peru (U)

PARTICIPANTS:

- The President
- The Vice President
- Lawrence Eagleburger, Acting Secretary of State
- John E. Robson, Acting Secretary of the Treasury
- William P. Barr, Acting Attorney General
- John H. Sununu, Chief of Staff
- Robert Martinez, Director of National Drug Control Policy
- Brent Scowcroft, Assistant to the President for National Security Affairs
- Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
- Anthony C. E. Quainton, U.S. Ambassador to Peru
- Thomas E. McNamara, Senior Director for International Programs, NSC Staff
- William T. Pryce, Senior Director for Latin American and Caribbean Affairs, NSC Staff (Notetaker)
- Stephanie van Reigersberg, Interpreter
- Alberto Kenyo Fujimori, President of Peru
- Carlos Torres y Torres Lara, President of the Council of Ministers and Minister of Foreign Affairs
- Augusto Antonioli Vasquez, Minister of Justice
- Cesar Fernandez Arce, President of the Supreme Court
- Pedro Mendez Jurado, Attorney General
- Arnaldo Velarde, Commanding Officer, Peruvian Air Force
- Roberto MacLean, Ambassador to the United States
- Hernando de Soto, Advisor to the President of Peru

DATE, TIME AND PLACE: September 17, 1991, 11:40am - 12:10pm DST  
Cabinet Room

The President: I want to express my apologies to the Peruvian members of the delegation and to my own delegation for having

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taken so long to get here. First, we had the family in the Oval Office and then we got into a very interesting discussion of an anti-narcotic idea put forth by the President and I kept asking questions and getting very good answers. (S)

What I would like to do here is to turn the meeting over to you, Mr. President. You can ask any questions that you like or make any statements that you would like to make on any subject you like. Then we will be going to lunch (perhaps a bit late) and then we have departure statements. (U)

The last thing that I want to say is how much I looked forward to your visit and to welcoming you to the White House and how much the American people admire you and what you are doing. You have captured their imagination. I hope you feel you are among friends, because you are. (U)

President Fujimori: I would like to let you know that we are involved in an economic reform program which is a very difficult one. Needless to say that we are very happy that we have the valuable help of the United States. We appreciate your co-leadership of the group to free our debt. In that connection, the debt that we inherited is a very heavy burden on our economy. We would like to discuss perhaps the refinancing or the forgiving of the concessional part of our debt (to the U.S.). (S)

The President: Well, we can discuss that question. Perhaps Acting Secretary Robson could begin that discussion. (U)

Acting Secretary Robson: The IFI's, with our help, have been making progress in straightening out international arrears of \$2.2 billion. We have now put together a group to get rid of the arrears. This has been a very innovative program made possible by the economic progress made by Peru and by the actions of our government and the Japanese. Today, Peru's official debt is being discussed by the Paris Club. We are discussing very generous terms to give them the best opportunity to get on their feet. I got a report this morning -- things seem to be going well. I think that we need to get this in place before going to the next stage which will include commercial debt. Progress made has been very, very good. We hope this will encourage the private banks. President Fujimori's program has been excellent and we are astonished he has gone as far as he has in one year. We could not have imagined this progress one year ago. (S)

President Fujimori: We want to tell you of a figure. We have arrears of \$4.8 billion. When you consider the problem we inherited -- poverty, terrorism, corruption -- this is a very heavy burden which, although the Paris Club can help us, we hope you will consider the \$4.8 billion of arrearage a year is too heavy a burden. So I would urge you to forgive some part of our official debt. (S)

The President: Let us visit more on that question. We want to work on the whole program. You have a good case. We will see what we can do. (S)

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President Fujimori: In regard to narco-trafficking, let me say here in the presence of all what our approach is. We want to do it in an integrated way, at the highest political level where problems can be dealt with more effectively. We do not think the problem is only a criminal one. If the program has the support of farmers as well as people, it will succeed, and 80% of the people have approved of the program. We are trying to get them to eradicate production of the coca leaf once and for all. This policy is reflected in our common agreement. I think we should concentrate on areas where you can have a market economy. I would ask in this connection that we have your cooperation. We have support in the Congress. As I told you earlier, I have talked to Congressmen -- Mr. Obey, for example. He said I was a good salesman, perhaps because of my Japanese origin. We need to have cooperation in the military field. Part of the aid to the military will be aid for civic action, not a war for territory, but to win over the common people -- that is the way in which we are working and your assistance would be used in this way. (S)

The President: Let me add that the approach which President Fujimori has outlined, is based on farmers having the opportunity to export goods to us, and get credit with firm titles to their land. I have the feeling that we need to combine this with total cooperation on law enforcement and interdiction. Governor Martinez is very interested in law enforcement. I would like to suggest that the President and Mr. de Soto talk a little more on this concept. You sell the program to the farmer. We need to know from your able Ambassador or Mr. de Soto what is needed to have people want to free themselves from coca production. This idea has enormous appeal to us. (S)

President Fujimori: Yes, I would like to have Mr. de Soto elaborate. (U)

Mr. de Soto: President Fujimori stated his policy on October 26. It is to solve the narcotics problem in Peru, based on a social analysis which involves working to disengage the traffickers from the growers. It is the farmers who grow the coca. The farmers only get about \$100 million for the coca and there are 250,000 of them. That means that they are getting about \$400 per capita per year in narcotics money. They are exploited by the big traffickers just like the farmers are in Peru; the entrepreneurs are not. And when I talked to the farmers, I found that they would rather grow coffee or rice or cocoa, rather than coca. (S)

When they try to grow another crop, they have to get on four registers, one of which is always closed. When they want to grow coffee, they have to get on six registers, two of which are closed. They also have to show that they have grown coffee for the last three years, and they also have to show bank statements. It is like saying you have to be a Yale graduate to get into Yale. (S)

We have compiled an accordion list of all the regulations and it is sixteen and a half yards long. We are trying to apply the Enterprise for the Americas Initiative by removing the obstacles.

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So, the important part of the analysis is that before shooting the farmer, what President Fujimori has said is why not try both innovation and market economics. (S)

Property rights are a problem. The coca farmer is limited to about two hectares because he doesn't have title to the land. So you can only make money with a high value crop. If you don't have property rights, you don't get production. Two pillars are property rights and free markets. As we discussed, we signed an agreement with the U.S. on May 14, 1991. President Fujimori then decided to have a campaign. He sent out advertisements to coca growers, saying we want you to switch, and here's what we have agreed with the United States, please fill in the form if you want to talk with us. President Fujimori also distributed forms for the people who may not have read the newspaper, the idea behind them is to demonstrate success. (S)

We know where the coca growers are. In the Upper Huallaga Valley, 60% of the coca is growing and in the Valley of Apurimac much is growing. It is easy to determine where this coca is being grown by your satellites and by your planes. This is an easier approach than in the United States where you have 5,000 different ports of entry. We have signed up 57 production committees in the UHV and 117 in the other areas. We have listened to them, and we have a map of information where they are. They say we would rather switch than fight. There are 174 organizations which market in the areas where they would like to switch. If you spend \$20 billion you spend one-half of one percent of what they earned. These people are the weak link in the narco chain. People want out. It's a bad neighborhood. There is death, anarchy, and pervasive police and military come in and bother people. (S)

That is where the Shining Path is being successful. Where the people feel they need it to protect property, like the Vietcong in Vietnam. To give them security we need to distinguish between growers and traffickers. If the growers have title, we can supervise and we can hold them accountable. At present, with the coca land, one-third is already cultivated. The idea of President Fujimori is to homestead the part which is not growing. Homestead, give out property titles, start switching, even where coca is now being grown, 60% of coca growers make \$70 billion.

(S)

President Fujimori ends up with a proposal that is important that police and military are only part of the program, the way they are in Burma, Lebanon, Laos and other points. The last part, he has contacted European emissaries. There are six countries which have \$120 billion in needs. They know how to do a crop substitution program. We tell them if you are worried about the environment, if you want to improve it, the only way is to get to the farmers. They have agreed to do this if the U.S. and Peru agree that there is a program which could be followed. (S)

The President: Why don't I make a suggestion. Since this has various policy implications, why doesn't Larry Eagleburger get a

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group to come together with you to see how this program works. I thought that many people were involved in the production of narcotics. You can talk together about it and we will also see if we can get together on it. (S)

President Fujimori: I want to say when we have Capitalism working to shut down narcotics production, the other part of the program which I want to mention is development financing and we need to control the agenda for violation of human rights. Perhaps you would like to have clarification of the program. We have the President of the Supreme Court, the Attorney General and the Minister of Defense. All are committed to see that human rights violations disappear. (S)

I think that we have made progress. We have cut human rights violations drastically. Unfortunately, our orders have not always reached lower levels where unfortunately we have high levels of corruption. There are very powerful organizations financing the Sendero Luminoso. Some of our people have been incarcerated for human rights violations. Some have been sentenced. Many cases are not solved but we feel that this problem is being dealt with and will be eliminated eventually. We cannot change the entire situation overnight. I inherited a very dirty war at every level. (S)

That is why we have invited the International Red Cross to come in at every level. They will have free access at the detention centers and will be able to monitor human rights violations. Our agreement has a clause regarding human rights violations. Not long ago I authorized prosecutors to have access to detention centers. This is supported by the armed forces. The President of the Central Command has offered every facility in carrying out human rights protection. My government has offered a criminal code, the first in Latin America, which defines and punishes human rights crimes. We used to have about 30 human rights violations a month, but the number is way down. We had three in July and six in August. These are acts committed by law enforcement wrongly. In this, we fully agree with you, I assure you. (S)

What I want to say is that my government is fully committed to defending human rights. Mr. President, I appreciate the help. (S)

The President: The President and I had an opportunity to talk about this in the Oval Office and the importance of having Congress know what has taken place, including access by the International Red Cross Committee. All of this helps much in dealing with Congress. (S)

I think that foreigners sometimes think that we hide behind Congress on difficult decisions. That is not the case, certainly not here. We want funds to be freed up. We agree with the Congress on human rights, but we want the funds freed up. The more this message can get to Congress, the better we are. Bill (Barr) would you like to add something? (S)

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Acting Attorney General Barr: Peru's new programs are very encouraging. No, my people are very interested in having the funds freed up. It is very important to us. We want funds released in part because part of the funds are to be used for administration of justice programs. We are in full agreement that the war on narcotics traffickers cannot be won by interdiction alone. But economic development and social programs can't make progress without a police and military effort. We think that interdiction of aircraft and having radar detection systems are important. There is a need to stop traffickers' control of airports. We need to move against traffickers because this will drive down the price for the coca growers. (S)

The President: This may be a good time to break here, and move over to the other side for lunch. We will have plenty of time to continue our discussions because this will be a working lunch.  
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