

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Fernando Collor de Mello, President of the Federative Republic of Brazil at UNGA, Waldorf Astoria Hotel, New York (U)

PARTICIPANTS: The President  
James A. Baker, Secretary of State  
Andrew H. Card, Jr., Assistant to the President and Deputy Chief of Staff  
Brent Scowcroft, Assistant to the President for National Security Affairs  
Bernard Aronson, Assistant Secretary of State for Inter-American Affairs  
William T. Pryce, Senior Director for Latin America and Caribbean Affairs, NSC (Notetaker)  
Marcel Bouquet, Interpreter

Fernando Collor de Mello, President, Federative Republic of Brazil  
Jose Francisco Rezek, Minister of External Relations  
Jose Goldemberg, Minister of Education  
Marcos Antonio de Salvo Coimbra, Ambassador, Secretary General of the Presidency of the Republic  
Jose Lutzenberger, Secretary for the Environment  
Rubens Ricupero, Ambassador to the United States  
Gelson Fonseca, Jr., Ambassador, Assistant to the President (Notetaker)  
Gisela Claper, Interpreter

DATE, TIME AND PLACE: September 23, 1991, 3:15 - 3:45pm, D.S.T. UNGA, Waldorf Astoria Hotel, New York

The President: Welcome to you and your colleagues. I'm glad we are having this meeting. We can proceed in any way you would like. Perhaps you would like to lead off and then I have a couple of points to make. (U)

President Collor: If you would like me to speak, I will mention a number of subjects of general interest. Let me start off by thanking you for the words you spoke when Ambassador Ricupero presented his credentials. They were important and positive words and we are very happy with them. I would like to say a few

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words and give a few thoughts about the situation in the world today; and then mention a few problems and possible approaches to economic and social questions. (S)

Mr. President, you gave an example of political resolve when you talked for the democracies of all the world when you led the world at the United Nations. (S)

You also achieved economic victory with your proposal for the Enterprise for the Americas. I would like to propose that you carry another banner, and that is the social question. Without any commitment, of course, I would like to see you lead in a way which would have the countries of the world focus on the social development problems of the world. I worry that three-quarters of the people of the world live in need, poverty and deprivation. We need to change that. It is a very dangerous situation. The Enterprise for the Americas could also be extended to social formations. These are intricately involved with factors of capital formation and debt. I worry that 77% of the population lives on only 15% of total production. This is the reason for migration. Unless we can somehow solve this question, the world will be in serious trouble. We are trying to solve our problems in Brazil. We have three basic tasks in seeking to achieve stabilization. First, is to solve the negative flow of foreign debt. Second, is to advance. Third, is the need to pose amendments to the Constitution. There are some 25 amendments in all which need to be made. We hope that all this will be possible before the end of the year. (S)

On the debt question, we are negotiating with the banks. On Friday, we made what we thought was a very positive proposal -- very forthcoming. But the private banks have offered a counter-proposal in what looks positive at first but then asks for commitments we cannot honor. We would like your help in overcoming this. (S)

The President: First, in talking about the third world -- North, South problems of social development -- they are upsetting in many respects. Many countries face a very difficult situation. I am convinced that the satisfactory negotiation of a trade agreement is the most important step which will bring economic progress to developing countries. I also believe that a successful GATT round will help very much. If you would like further discussions about what you think we might do we could arrange that. (S)

We are coming out of a recession. I have thought that because of the size of the United States, this will help all the world. I would like to get a better idea of your thinking. We appreciate your trying to batten down inflation. I don't know what the counter influences are or what the U.S. can do to help? Reaching an agreement with the IMF and the World Bank, which would pave the way for help under the Brady Plan, I think would be a good development. (S)

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I have a note to congratulate you on the Brazilian statement on disarmament. Anything we can do to be helpful. We want to help. If our experts can help in any way, we will. (C)

What do you have in mind on debt? What could the U.S. do? (C)

President Collor: First, I mentioned the social problems of the world. There is no way that a proposal of the U.S. would be negative. Given your position in the world, maybe your Government could lead and say "let's talk about the problem." No country will ask that the U.S. help directly. Also, we know what your priorities are. (C)

On the environment, there is no need to mention specifics, just say that we should have public talks about it. That would be encouraging. (C)

Regarding debt, talks are going well, but private banks made a counter-proposal which we cannot meet. If Mulford could sit with the banks and tell them they are asking too much? (C)

Ambassador Ricupero: Our main goal is to reach a monetary agreement which will be satisfactory to everyone. We have offered a guarantee of \$2.2 billion on principal. The banks are demanding equal guarantee on interest. This would mean another \$2 billion. This would require longer term negotiations. We are not acting like a Persian bazaar, where they ask 55, and we offer 15. We made a firm offer of 32.5 percent. Their counter-proposal would require a complicated negotiation. It would require a different kind of agreement. It would jeopardize our program. We need to move soon. (C)

The President: We would like to help. We will talk to Brady and ask him to look into it. (C)

Ambassador Ricupero: The problem is enhancement. We offered only for the principal, and they are asking for the interest also. (C)

Secretary Baker: What is the effect with the IMF? An agreement would not yet be enough. A stand-by facility would take months. You mentioned the discussion with Treasury. They will want to discuss it, talk with the Federal Reserve, and see what they can do. What banks are in the program? Is City Bank the lead bank? (C)

President Collor: There is a committee. (C)

Secretary Baker: Is the problem with City Bank, or is it that they cannot get other banks to go along? (C)

President Collor: To lighten up on the banks would let investment into Brazil. (C)

As of June this year, we had more invested this year than in all of last year. (C)

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The President: They have facilities and are doing banking? (C)

President Collor: Yes. Mr. President, you mentioned in your speech several points I want to bring up. First, GATT and Zionism. On GATT, this is a very positive position. We are in agreement. This will help development. (C)

Regarding Zionism, we are in agreement -- what do you want us to do? (C)

The President: We would like to co-sponsor a simple resolution of repeal. Given the developments, we might just succeed. It would resolve a point of concern of Israel. As you know, we are having a little flap regarding loans. Jim Baker has worked very hard and is continuing to work on this. Israel is afraid they will get a bad deal in the UN, and they have had bad deals in the past. If countries were willing to help, especially on this resolution, it would create a better environment. We didn't say anything about deadlines. But this is a blot that we would like to remove. If Brazil would help, would sponsor or co-sponsor a resolution. We will have our U.S. Ambassador consult. If somehow the U.S. is out in front and then has to step back, we think this would be wrong. If we can work together in diplomatic channels, then it is possible that we can resolve this problem. (C)

President Collor: For the first time. (U)

Secretary Baker: The problem is that there will be a number of amendments. (C)

We hope that Brazil will be able to sign an agreement with the IAEA. (C)

Foreign Minister Rezek: We had something almost ready to go -- it was impossible to do in Vienna; we hope to have it done before the end of November. (C)

Minister Goldemberg: The negotiators in Vienna are working on a series of regulations. We have a feeling that the IAEA are being more restrictive. If you could ask them to be flexible. (C)

President Collor: Mr. President, I want to bring up the question of the G-7 and help with the environment regarding a tropical forest. This is the only area where we have a debt program of a swap of debt for nature. At Houston, the G-7 talked about the need to help. As a result, there was a proposal for a \$1.2 billion fund. In London, they mentioned contributing \$50 million to start. This is not up to our expectations; if we could do more to help it would help, but the problem I want to emphasize is foreign debt. The needs are urgent for a resolution of the debt. We want to be able to agree quickly. (C)

The President: We want to go forward with the G-7 and we want to help. We know that Brazil wants to get this settled, and we will want to help. I hate to leave it vague -- but it is important,

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and we think that Brazil wants to get this solved. We will work to help. (C)

Secretary Baker: Re Suriname, we worry that the military does not understand sufficiently the need to arrest civilian directors. You can help. (C)

--- End of Conversation ---

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