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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Breakfast Meeting with Carlos Salinas,
President of Mexico (U)

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Henson Moore, Assistant to the President and
Deputy Chief of Staff
Ambassador Carla Hills, United States Trade
Representative
Brent Scowcroft, Assistant to the President
for National Security Affairs
Bernard Aronson, Assistant Secretary of
State for Inter-American Affairs
William T. Pryce, Special Assistant to the
President for National Security Affairs
and Senior Director, Latin America and
Caribbean Affairs, NSC (Notetaker)

Carlos Salinas, President of Mexico
Fernando Solana, Secretary of Foreign
Relations
Jaime Sierra, Secretary of Commerce and
Industrial Development
Ignacio Morales-Lechuga, Attorney General
Herminio Blanco, Principal NAFTA Negotiator
Jose Cordoba-Montoya, Chief of Staff to the
President
Gustavo Petricioli, Mexican Ambassador to the
United States

DATE, TIME February 27, 1992, 7:30 a.m. - 8:25 a.m. CST
AND PLACE: San Antonio, Texas

The President: I want to begin by saying I think cooperation between our countries has been outstanding on all levels. I am ready to discuss here anything you want to discuss. If there is anything you want to bring up about our relationship that is troubling you, now is the time. But I want to open by repeating our very high interest in achieving a Free Trade Agreement. I think it's good for the country and I think it's good politics. There are people who say that we are not fully committed. I want to say here again to all the people, as I have said elsewhere that we will go ahead with this agreement, politics notwithstanding. (C)

President Salinas: Since most of the conversations here will be about drugs, let's talk about the Free Trade Agreement. First I

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want to say that your speech in Los Angeles was, I thought, very, very good. When you said you wanted to go ahead with the Free Trade Agreement. As you know, the teams of over 100 people have met in Dallas for ten days. They worked very hard and have made a number of improvements. They showed flexibility and balance. The question is whether there is sufficient support in Congress. Our people have been talking with a number of your Congressmen and they say we must do it before the August recess. Because after that things will become embroiled in the election process. In order to do that, we need to complete the process in June. And in order to do that, we must have an agreement in March. So March is a key month. We think that because of the importance of getting things done before the recess, we must move quickly. We can be ready in March. As long as there is a concerted effort on each side. There are four or five pending issues on each side. If the chief negotiators were to get together by the beginning of March, and the head of the team, a week after, we think we could have an initialling by March 12. (C)

The President: I want to repeat that our interest is to get it done soon, but that it has to be, given the nature of the mood in Congress, as broad an agreement as possible. If we have to narrow it, we won't get it through. I'm not hiding behind Congress but it is a simple fact that to get an agreement, it must be broad enough to get broad support so the Congress will sign on. (C)

~~President Salinas: You are right. If it is not broad enough, it won't bring the benefits which are needed for both sides. (C)~~

The President: I worry that if you set a date, then we will be criticized by people who will say we are working to meet a deadline but have not gotten a good agreement. (C)

President Salinas: No, we would not want to set an official date. We could set internal goals, just among ourselves. (C)

Secretary Baker: Perhaps you could keep a date internal, but if it got out, it would hurt greatly, and I'm not sure we could keep a date internal. (C)

The President: Something tells me you're telling me we should keep the pressure on Carla and Jaime. We want to get it done, but if we set a deadline and don't meet it we will be losing ground. Can they say a waste of time? (C)

Ambassador Hills: I think we have worked with great effectiveness and we can keep working. We have meetings scheduled for March 2, 9 and 16. We have made enormous progress but serious problems remain. We must proceed with all due speed but not minimize the problems that we have. We must consult with the Congress and the private sector. There are 40 different committees which must write reports. And in response to the negotiations, there have been complaints that we didn't consult enough after the last meeting. I have been called by key members who asked for more consultations. I would need to consult

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further before we negotiate again. I think it's possible to make March a month of real accomplishment. (Ø)

President Salinas: I think we first talked about this possibility some three-and-a-half years ago in Houston. It has been two years since I called you and we have been working hard on it for a year. So we are working with real consultations.

(Ø)

The President: Yes, but there are some who are complaining.

(Ø)

Ambassador Hills: There were complaints that some committees only had three days to look at text before we talked to our counterparts. They were not completely happy. We only launched our negotiations on June 12. Whenever we talk to people we say we have made real progress and we have a program and we are moving ahead with that program. We have accomplished great things. There are thirty plus groups who are working hard. The chief negotiators have been deeply involved; we have good people working on this and we are trying to expedite it as much as possible. (Ø)

Secretary of Commerce Serra: We agree that there has been good progress. There are still a few issues. Our feeling is that we could be finished in March. Our position is that a good agreement is more important than timing. We understand that after the initialling, the Congress needs to have 90 days for discussion. This would need to be completed by June or July in order to time it before the August recess. There needs to be consultation with the Congress and the Senate, who say they must get it finished before September and elections. It looks like we should have agreement, but the target has to be March. (Ø)

President Salinas: When I suggested early March, I was really thinking the end of March, because if I say the end of March, it will be later. Should we get on the table the major problems? Should we put any ideas on the table, we don't of course want to negotiate here. (Ø)

Secretary of Commerce Serra: We have prepared a paper. We have seen progress on several fronts. I remember that Carla said at Camp David that there were 140 odd categories where we had taken it off the table. I went back and discovered that we have more than 750 categories. We have opened up 85 percent of our categories after our talks with you. On financial services regarding banks, we have opened up so that now a U.S. bank in Mexico can be owned 100 percent, and it could be six times the size of the Citibank operation in Mexico today. I think we practically have an agreement on textiles. We have proposals which are agreeable with both industries. I mentioned before that I had talked with Roger Milliken on this subject and he is enthusiastic. On autos there has been a proposal to open up after consultations with the Big Three. On tires, I think we have a global agreement. There is improvement in the tentative agreement on rules of origin. We have made progress in dispute

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settlement, State to State. We are talking about duty drawbacks. In agriculture, this is a delicate area for Mexico. We are interested in fruits and vegetables and the U.S. is interested in corn and wheat. This is a very delicate area for us but President Salinas has said we have to look to opening up on corn. We hope in return for U.S. flexibility on fruits and vegetables. We have some issues to go. I know that in the two years we have been involved, we have more than 300 pages. It is a broad agreement, it goes beyond the Uruguay Round. If we can get agreement in Uruguay Round, this will help. (C)

The President: Where is Canada on this? Are there any big differences? (C)

Ambassador Hills: They have some different points of view. We have made real progress. We have several issues where we need to talk with them. On autos, we don't have a complete plan to talk with them so far. On services, there are differences in approach. On energy, we will have to have more discussion. And on flat glass and leather, the offer needs to be broadened. We will work around the clock. My obligation is to come up with a good agreement. I want an agreement that I can recommend to the President and that will pass the Congress. If we get 51 percent, we will be able to move, but I think we should have more. I'm optimistic that we can have agreement. The groups are meeting on March 9. I think there has been marvelous cooperation, and we need to continue. (C)

Secretary of Commerce Serra: I agree that there is good cooperation with Canada, but there remain issues. It seems to me they are: (1) safeguard rules, (2) rules of origin regarding textiles, where we are demanding a lot, (3) autos, where we need to have a broad agreement, and (4) we don't know about what happens at the Uruguay Round. There are producers in Quebec that need something in the area of poultry and dairy products. We need to explain this further. We are not so interested in this area, but if we open it up we must have whatever is agreed with Canada in the Uruguay Round. (C)

The President: Do they have political problems? It seems to me that their opposition was raising questions about the agreement. (C)

General Scowcroft: It is important politically for them to have a successful Uruguay Round. (C)

Secretary Baker: Poultry and dairy products are important to Quebec, which is where there is principal opposition. (C)

The President: There is still the understanding between us that we want to agree, but that we can go bilaterally if there is no agreement with Canada. (C)

President Salinas: Yes, they reconfirmed that in New York. (C)

General Scowcroft: A good GATT agreement will be helpful. (C)

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The President: Why don't we talk a little about the GATT. (U)

Ambassador Hills: We are exploring what they have in mind. We have had some positive talks in January. The next several weeks will be crucial. (Ø)

The President: We have a big French problem. Is there any hope there? (Ø)

Ambassador Hills: I had a discussion with Strass-Kahn and the Europeans and we will try to come up with a proposal that might work, but it is not clear that we will be successful. (Ø)

President Salinas: Unless we show that once we have initialled the agreement, there will not be changes -- this could create great problems. If we allow any changes at all, then interest groups will try to change a lot of things and this will lead us to disaster. (Ø)

The President: If you submit a detailed outline, you do have to have details. (U)

Secretary Baker: We initialled I think with Canada with an outline, and we submitted the full text sometime later. Once we have a full text, we will have 90 days for Congressional scrutiny. Ninety days all told. During that time, we will need to get wide domestic support. (Ø)

Ambassador Hills: Senator Bentsen and Dan Rostenkowski have made it abundantly clear that they will not accept a process like we had with the Canadians. We have to submit a completed text before the Congress will consider things. They say no outline and blanks will be authorized and the 90 days will not be triggered. (Ø)

President Salinas: When do you meet next? (U)

Ambassador Hills: Our two negotiating teams meet Wednesday the 4th of March with the chief negotiators ready to explore possibilities, and I and Jaime of course are ready to be involved at any moment. There are large problems in that there are twelve groups. I have confidence in Jorge (Blanco) and Jules (Katz) and that they will see what the list of difficult issues looks like and will need to get back to us. (Ø)

Principal NAFTA Negotiator Blanco: Next week we have all sessions meeting. (U)

President Salinas: Is there a meeting on the 16th? (U)

Principal NAFTA Negotiator Blanco: We have a meeting scheduled for the 9th, I'm not sure ... (U)

Ambassador Hills: We meet on autos on the 16th. (U)

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Principal NAFTA Negotiator Blanco: On autos. (U)

Secretary of Commerce Serra: We will try to have the working groups meet in the next few days. I can come to Washington to review with Carla what happens. Maybe after that, we can set a date, say maybe March 15, maybe the 16th we could have a final agreement. (C)

President Salinas: Why don't we agree to consult by phone on the 16th and see where we stand. (C)

The President: Fine. (U)

There has been some speculation that we don't want to take this on. That we want to keep this out of the electoral process. You have extremists on the right and on the left saying that we are trying to export jobs to Mexico. I don't want anybody to misinterpret that into thinking that we will back away in any way. This agreement is good politics and good business. It is good for the United States. So don't be concerned with all the negative advertising and other stories you may see. After the Japan trip, there was a lot of negative advertising. When you see that, you could think that we are out of step with wanting to move forward. Well they are 100 percent wrong, and I hope to have the opportunity to take the message to the American people. (C)

~~President Salinas: Your message has been clear. (U)~~

The President: But not resonating. (U)

President Salinas: Those who are opposed are in fourth place. (U)

Assistant Secretary Aronson: Harkin is in fourth place. Tsongas wants it as does Clinton. They don't want to go against what they know is good for the American people. (C)

Secretary of Commerce Serra: The environment and labor people are happy. When we came up with our environmental program we got a positive response, and I think our border program has had a good effect. The environmentalists are happy. (C)

Secretary Baker: We have progress on tuna. The Mexicans have made a proposal which moves towards a study and an eventual moratorium on setting nets on dolphins if dolphin kills are not reduced sufficiently. This gives us something to work with. They basically have made a very good proposal. (C)

President Salinas: This is a very sensitive issue. We would be proposing a five-year moratorium, beginning in 1994. (C)

Secretary of Commerce Serra: Carla Hills has been doing wonderful background support work with business groups like that of J. Hare. He has been very cooperative and he and Tom Donaghue

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and 25 other executives have come to Mexico and we have talked to them and I think they are going to be positive. (U)

Mexican Attorney General Morales-Lechuga enters the room and a place is made at the table for him.

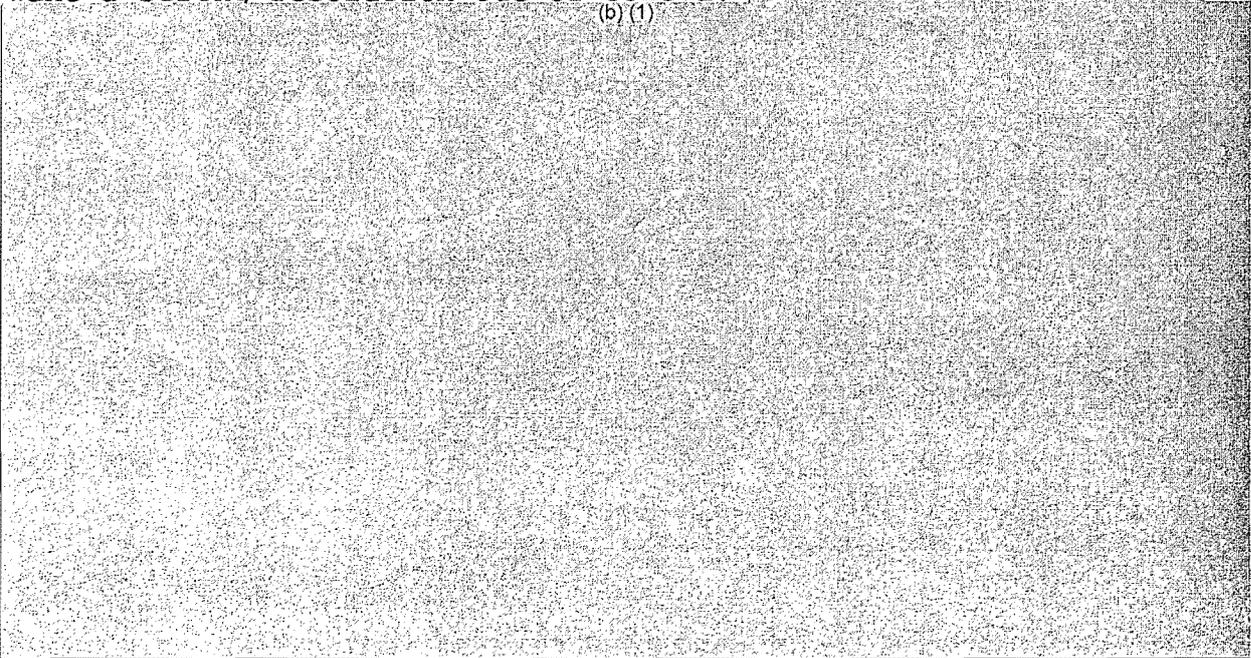
The President: Welcome Mr. Attorney General. I would like to ask you how you feel cooperation has been. (Ø)

Attorney General Lechuga: I think every day the cooperation is getting better. Obviously, we have, as we say in Mexico, some stones in our shoes and we have to get them out. We have decided to meet every three months and to resolve any problems that we may have. The environment is very positive. (Ø)

The President: I regard it as a continuing problem area, where we can continue to work together. (U)

President Salinas: Cooperation is good. The intelligence cooperation is so good that we have seized 50 tons of cocaine -- the largest shipment ever. We have seen that our air-surveillance is becoming so effective that the traffickers may try to land in Central America. I have just had a visit with Guatemalan President Serrano to work on how we may solve this problem. (Ø)

The President: May I raise another subject? Maybe this is contentious. As you know, we have not changed our basic policy towards Fidel. We don't see much sign that he has any intention of lightening up on human rights abuses. In fact, he is getting worse. And we would ask that we join together to get a strong signal to the man that he must do something on human rights. We want a strong resolution out of Geneva. (b) (1)



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The President: [redacted] (b)(1)

Secretary Baker: [redacted] (b)(1)

The President: Sort of like Saddam Hussein. There we are hearing that there is a lot more dissatisfaction with Hussein than you see on the surface. We are getting intelligence reports that he is under more pressure now. (Ø)

President Salinas: Didn't you think of Iraq as a balance to Iran? (Ø)

Secretary Baker: We need balance in the Middle East but not with Hussein. (Ø)

The President: This is what was happening before. We were working with others who thought there was a need to have balance in the Middle East. Good to have balance but not Hussein type balance. We still worry about the nuclear problem. We had intelligence estimates about his ability to construct nuclear weapons, but we didn't know for sure. We now have had inspections and we still don't know. We must go through with UN resolutions. I think in a political sense we must keep pushing. (Ø)

President Salinas: Yes, look at Algeria and Tunisia. Ben Jedid is a good man. (Ø)

Secretary Baker: Could I say a word about Haiti? The agreement that has been signed may be the last hope we could have to bring about an international solution in Haiti. We are trying hard to make this solution work. We think it is important to help professionalize the Haitian armed forces -- maybe through the Inter-American Defense Board. We would appreciate your taking a look. This would not be a case of an international force, but rather to try to professionalize the Haitian military which is rag-tag, out of control, and badly in need of help. (Ø)

Secretary of Foreign Relations Solana: There needs to be close cooperation on this. We could not support a military assistance alone but perhaps could cooperate in general assistance. (Ø)

Secretary Baker: What we are backing is democracy. We don't want to let democracy fail. (Ø)

The President: We are leaning on weak reeds here. [redacted] (b)(1) but nevertheless we need to support the principle of democracy. [redacted] (b)(1)

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Secretary Baker: Look at it this way, we are supporting a democratic solution, it's the principle of democracy that we are supporting. (Ø)

The meeting began to break up at this point with exchanges of pleasantries.

-- End of Meeting --

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