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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Uruguayan President Julio Maria Sanguinetti (U)

PARTICIPANTS: The President
Lawrence Eagleburger, Deputy Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert M. Gates, Assistant to the President
for National Security Affairs
Everett Ellis Briggs, Senior Director, Latin
America and the Caribbean
Michael Skol, Deputy Assistant Secretary of State
for Inter-American Affairs

Julio Maria Sanguinetti, President of Uruguay
Luis Angel Barrios Tassano, Minister of Foreign
Affairs

Ricardo Zerbino Cavajani, Minister of Economy
and Finance

Hector Luisi, Ambassador to the United States

DATE, TIME September 15, 1989, 3:05 - 3:50 p.m. EST
AND PLACE: The Oval Office

The President and President Sanguinetti met for 45 minutes in the Oval Office on September 15, 1989. (U)

The President, after an exchange of pleasantries during which the American and Uruguayan media representatives were allowed to be present, referred to the visit President Sanguinetti had just made to Japan. The President said he had noticed a significant difference between the new Japanese government and the Socialists, not only on defense policy but on trade issues. The Socialists, he said, were pure protectionists. He said the U.S. had a big stake in Japan's leadership choice, and thought the new team was showing a lot of nerve. (S)

The President then noted that President Sanguinetti was a short timer, and said he must be proud of the superb job he had done. (U)

President Sanguinetti said, "fortunately!" He added, smiling, that he wasn't sure what exactly he had accomplished, but he knew he had avoided a lot of trouble. (U)

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The President said he appreciated Uruguay's leadership in showing willingness to stand up for democracy in Panama. He regretted all of us acting together had not been able to achieve the changes sought by the Panamanian people. We seemed to be back at square one. He asked what President Sanguinetti thought should be done now. (Ø)

President Sanguinetti said we were back at the square one, but on a different playing board. There was now a greater awareness worldwide about the Panamanian situation, and this was important in political terms. (Ø)

The President agreed that this was the case. He said that the picture of Billy Ford spattered with blood and of the violence committed by the dignity battalions were imprinted on everyone's mind. (U)

The President assured President Sanguinetti that the U.S. had no argument with the Panamanian Defense Force as such. Improved relations with Panama would be instantaneous, he said, if Noriega were to leave power. He said the problem was very frustrating. (Ø)

President Sanguinetti felt what was needed was a combination of patience and perseverance. As with other problem areas, time might produce changes, as was occurring in Nicaragua. (Ø)

The President asked if President Sanguinetti thought there was a possibility for genuinely free and fair elections in Nicaragua. (Ø)

President Sanguinetti replied that he thought the elections would be "relatively" fair. He asked rhetorically how a country without democrats could hold a democratic election. Nicaragua, he said, had no democratic tradition, so the elections could not be expected to be "perfect." What was important, he felt, was that there be a genuine "opening." Look at Paraguay, he said. There was Stroessner, ruling a country that had never had democracy, when all of a sudden he was overthrown in a palace coup, whereupon an election had been held that although not perfect had been free. One could not call the election "clean," exactly, but freedom now existed in Paraguay. (Ø)

The President said he was very pleased to hear this. And speaking of Paraguay, he was grateful to President Sanguinetti and several of his colleagues for being so nice to his daughter at President Rodriguez' inauguration. (U)

President Sanguinetti acknowledged that he had enjoyed meeting the President's daughter in Asuncion. (U)

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The President said he had wanted to send a member of his family to the inauguration, as a personal gesture. (U)

President Sanguinetti, returning to the earlier theme, said that the Paraguayan example showed progress was possible, even without perfection. (S)

The President asked if President Sanguinetti were going to the San Jose Summit. (U)

President Sanguinetti replied, "yes." He congratulated the President on his speech on drugs. He approved of the President's approach, he said, of addressing both supply and demand. He said Uruguay was working hard to keep from becoming a part of the problem. He cited the case of an individual recently arrested in Uruguay who was to be extradited on a charge of money laundering. The case, he said, was proceeding nicely. The Uruguayan government meanwhile was studying the possibility of a treaty dealing with banking secrecy. Uruguay had to reconcile its system of complete economic freedom with support for drug control. Uruguay was examining the Swiss system, and soon the Central Bank would offer a draft for an information exchange treaty. (S)

The President asked what Uruguay's chief drug problem was - whether drug abuse, corruption of society, health of youngsters. Was Uruguay getting caught in the international trafficking web, he asked. (S)

President Sanguinetti said Uruguay as a small country did not offer a big enough market to interest international traffickers, but since it had the most open financial system in South America it was attractive to would-be money launderers. Therefore his government was looking for ways to retain banking freedom without falling prey to drug money. What it was seeking was some preventive medicine. (S)

The President asked President Sanguinetti for his opinion as to whether President Barco of Colombia would be able to stick with his courageous stand against the drug cartels. (S)

President Sanguinetti said the big problem for Colombia was "political." He said he was well acquainted with Colombia and its brave people. Despite 16 out of 24 supreme court judges having been assassinated, the institution was still working. The police were holding on. So were journalists. He had been a personal friend of the journalist Guillermo Cano, who had been assassinated and whose newspapers headquarters had been blown up. The newspaper was still being printed, and still attacking the

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drug traffickers. What was going on in Colombia was war. Imagine, he said, if the world had tried to fight the Nazis with judicial process and marshals. What he meant by "political" was that the Conservative Party must give its full backing to Barco to take exceptional measures to deal with the drug problem. Barco must be able to declare a State of Emergency. (Z)

The President observed that a recent poll in Colombia had showed strong support for what Barco was doing, including extraditing criminals. It also showed strong disapproval of the use of foreign (not just American, any foreign) troops. This came as no surprise to him, said the President. He was sensitive to Colombian views. Because of widespread opposition to the use of military force, he had tried in the case of Nicaragua and Panama to use a multilateral approach, though he was terribly disappointed that the OAS had failed to deal effectively with Panama. The U.S., he said, had no plans to send troops to Colombia, but the American press went crazy whenever we did anything. For example, we sent equipment and some people to Colombia to help set it up but if one believed the press, we had sent a division of troops. Some of our European allies had suggested putting together an international force, something we would be prepared to do, but we had found no interest in Colombia for that, either. He said he wanted President Sanguinetti to know we had no plans. Only "if someone grabbed our Embassy or took hostages, then..." The U.S., he said, had no secret game plan. He asked President Sanguinetti if he had any advice. (Z)

President Sanguinetti said no, the important thing was to try first to create a multilateral framework for dealing with the problem. The Vienna Convention was a start. Perhaps, he said, we needed a follow-up treaty to focus on the fact the drug fight was universal in scope. Returning to his earlier point, he said that the important thing was to ensure there was full political support inside Colombia for Barco, to deal harshly with the narcotraffickers. They were not so invulnerable, he thought. Everything they had was displayed openly: their homes, their farms, their power. The problem must not be handled as if it were a matter of simple crime. He did not think President Barco lacked courage. He considered him a good executive, a good president. The problem was: could he get support from Pastrana and Belisario Betancourt? They must support him. (Z)

The President said that what had made a profound impression on him when he read biographic background information on some of the Colombian drug lords was that someone like Rodriguez Gacha was nothing but a common criminal; not a great brain, just a thug. The mayor of Medellin had suggested negotiating with the drug lords, as if they were a serious group, but they were crooks who

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did not deserve such consideration. He said he had one other question: did President Sanguinetti think that when Castro had Ochoa executed, it was because he was guilty of drug activity; did Castro know himself what had been going on in Cuba? (S)

President Sanguinetti said that "basically" the reason for Castro's action was "military." He had been expecting something like that to happen. A few months ago, at President Borja's inauguration, Mario Soares had made some interesting comments. There was Fidel Castro, with his "show." Mario Soares said the man was very smart, but he did not realize what was going to happen when all his troops started to return from Angola. Portugal had gone through such an experience. Castro did not know what was going to hit him. (S)

President Sanguinetti continued: In Africa, the Cuban forces had not been under Havana's direct control, and considerable independence of action had developed among the military leadership in the field. They dealt directly with the Soviets. Furthermore, over half the troops were infected with AIDS. Their return home was going to be terrible for Cuba. Within two months of the return of the first units rumors of possible military trouble began to circulate. Castro moved when he had to, to retain control. It was probably true about Ochoa's drug involvement, but what was at stake was Castro's power. He had put Ochoa on television, and what came across was a man of stature, a leader. So after one TV appearance, the cameras were turned off, because Ochoa was the sort who could sway the people. (S)

The President asked if Ochoa could have been involved in drug trafficking without Castro's knowing. (S)

President Sanguinetti said he did not know. The Cuban army had become very autonomous. Individuals traveled to and from Angola freely. (S)

The President said that Cuba had withdrawn most of its forces from Ethiopia. If it were true that so many had AIDS, Castro had a problem. (S)

President Sanguinetti said he had a couple of "Uruguayan" issues to raise. Smiling, he said he was always a bit frustrated because people talk to him about Argentina or Colombia but rarely ask about Uruguay. He wished to make two comments: First, he appreciated the military assistance the U.S. had provided. It was an example of how to help without sacrifice. The U.S. had sent secondhand material to upgrade the Uruguayan forces, and this was fine. The Armed Forces had been pleased to accept it. They had remained absolutely loyal to the civilian government. There had been no incidents, despite the fact they had been given a small budget. Uruguay was now asking for additional help for the Armed Forces. He did not foresee any problems with obtaining it. (S)

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President Sanguinetti said the second comment was that Uruguay was trying to use the Brady Plan to reduce its debt. Some in Washington seemed to think that the Brady Plan should only apply to those in really bad shape, those who had committed serious errors. Uruguay has been meeting its debt payments, and would continue to do so. Some of his advisers had suggested, in jest, that the way to attract more favorable treatment would be for Uruguay to declare a moratorium on its debt payments, as others had done. The trouble, he said, smiling, was that no one would believe it. So Uruguay would continue to pay up, but the problem was that this stifled growth. During his first year in office Uruguay had had a 14 percent growth rate, but this past year had brought stagnation because of several factors over which they had little control: the worst drought in the nation's history; the spillover effect of their neighbor's economic problems; and the need to make excessive use of their hydro power. Recovery would take two years. Meanwhile, the situation was difficult. They were trying to reduce their debt while retaining a rhythm of growth. Uruguay wanted to proceed with a final negotiation on resolving its debt. That would make Uruguay the first debtor to overcome its problem, and he would appreciate any support the President might give in this connection. Messrs. Brady and Mulford, he said, were fully aware of the circumstances, and he hoped the President would encourage them to be helpful. (Ø)

The President said he would. He asked if President Sanguinetti would be seeing Secretary Brady. (U)

President Sanguinetti said he had an appointment next Monday. (U)

The President said he would speak to Secretary Brady before then. He said the U.S. would like to see countries besides the big ones achieve success. He then asked about the IMF. (U)

President Sanguinetti said Uruguay had had one stand-by agreement with the IMF, had met the conditionality, and was now discussing a new stand-by. He was confident there would be agreement. A meeting with the Uruguayan banks was scheduled for September 27. He commented that Uruguay's case was a strong one; conditions were easier than for Argentina or Brazil. Uruguay had already achieved a good, peaceful transition to democracy, and now was the time to show positive results on the economy. (Ø)

The President asked about the position of the contenders for the presidency: were the presidential candidates committed to following the same policies? (Ø)

President Sanguinetti said he saw no problems. The government and opposition candidates agreed on lowering tariffs and working with the IMF. There were some technical differences among them, but not differences of substance. (Ø)

After a final exchange of pleasantries, the meeting ended at 3:50 p.m. (U)

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