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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Cartagena Drug Summit

PARTICIPANTS: President George Bush
Secretary James Baker
Director Bill Bennett

President Virgilio Barco of Colombia
President Alan Garcia of Peru
President Paz Zamora of Bolivia
Foreign Minister Julio Londona of Colombia
Minister of Foreign Affairs Carlos Iturralde
of Bolivia

DATE, TIME February 15, 1990, 11:25 A.M. - 1:35 P.M.
AND PLACE: Cartagena, Colombia

Notes from the Plenary Session, Cartagena Drug Summit, which included the four presidents. Due to the make-up of the group and the numbers involved, the following notes are more observation than verbatim and therefore not in the first person as is usually the case for MEMCON's. The meeting lasted from 11:25 A.M. to approximately 1:35 P.M. (U)

President Barco opened the meeting with a very short statement (5 minutes) in which he basically welcomed everybody to the summit but did not offer any particular substantive observations. (U)

President Paz Zamora of Bolivia followed President Barco with a very upbeat statement noting at the outset that it was remarkable that the Declaration of Cartagena had been negotiated in such a short time. He felt this was probably some kind of record given the complexity of the agreement. He stated formally, "that the Declaration is acceptable," but then moved on to his first critical observation. He stated rhetorically that he wondered if this was a "paper document or reality? What do we do now?" This Declaration could be a bridge to do so much. The question is how do we implement it. (U)

President Barco, at this point, chose to read the message transmitted from Prime Minister Thatcher which is attached at Tab A. Simply put, it was a message of general encouragement. (U)

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At approximately 11:35 A.M., President Bush asked permission to make some comments. He began by noting that he too liked the Declaration and that, most importantly, as far as he was concerned this was a document with no loser... all four of the countries came out of the Declaration as winners. (U)

President Bush then explained Director Bennett's position. He discussed the Public Service Announcement (PSA) initiatives undertaken by Jim Burke, noting that we would be spending approximately \$1 million a day on television PSA aimed at reducing the demand for drugs in the States. He said, "We know we have a hell of a problem." On the other hand, we do have some reasons to be optimistic. At this point he distributed the statistical document to his colleagues for their review (Tab B). The President said he was taking some extra time here in his presentation because "we have heard your message about reducing our demand." The President then proceeded to read from the prepared talking points (Tab C) until he reached 12:00 (which was approximately card 18) and relinquished the floor at that point. (Z)

President Garcia of Peru noted that when President Bush addressed the nation concerning his counternarcotics efforts that he (Garcia) had listened very carefully. It was clearly a serious speech and that is why the three Andean presidents came together with President Bush today. He said I can see that we are right and that President Bush is serious in his intentions to reverse this 10-year growth of the narcotics trade. In reality the narcotics economy is detrimental to the economics of the region and hurts their links to the global economy. President Garcia noted that the document was of "transcendental" importance. If we can implement the Declaration we have reached a real breakthrough. He did support President Bush's assertion that demand reduction was the key to success of the Andean program. (U)

President Garcia then moved on to the issue of crop substitution. He argued that the campesino would be our best allies in this if they were simply given opportunities to produce something other than coca. To accomplish this, we need somehow to open the U.S. market to increased trade from the Andean region. He did point out that the use of coca was historical and the growing of coca was not going away but that we had to keep coca from being processed into cocaine. (U)

President Garcia went on to point out that not all the drug income was really good news. "The apparent dollar benefit is somewhat transparent." Among other things good agricultural land was being destroyed. He said we are convinced that by offering different crops the campesinos will move away from coca. (U)

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President Garcia then turned to the Declaration and asked "where's the beef? When in black and white can we implement the document?" He believes that the coca growers associations will be effective tools to introduce substitute crops when they are available. The key is opening the U.S. market. He stated, "we don't need aid, but pre-financing to develop the new products for the U.S. market. The pre-financing could clearly be a loan which the Peruvians intend to repay from the earnings provided by these new products." (U)

President Garcia then chose to make clear that while he had differences with the U.S. on Panama that he did consider the Declaration of Cartagena to be transcendental but he agreed with President Paz Zamora's point that we now need to worry about implementation. He noted that the six bilateral agreements that were to be signed today were a good first step. (U)

At 12:15 P.M. President Paz Zamora responded that he was appreciative of the comments of Presidents Bush and Garcia and that he would like to point out some issues in Bolivia that were important. This is the first time that Bolivia has attended a meeting on this subject. And, more importantly, for the first time Bolivia has developed a national strategy in this area. He had only one copy of the national strategy but promised to produce copies for all of the Presidents. In Bolivia the Declaration is called "a strategy for alternative national development." (U)

He said let me describe the magnitude of the Bolivian problem. They estimate that almost 25% of their GNP is related to illegal narcotics trade. Put another way they have export earnings of about \$1.5 billion per annum and they estimate that approximately one half of these export earnings are related to illegal narcotics. We have come to understand that "you simply cannot replace one hectare of coca with one hectare of citrus. We must substitute an entire new economy." President Paz Zamora indicated that he felt that this would be a six or seven year program. He pointed out that Bolivia had learned from its fight against hyper inflation that only solid, market-supported economic strategies would work. While there might have to be emergency measures and bridge programs, ultimately, the move away from a narcotics-supported economy must rest on solid market incentives and not phoney aid programs. (U)

President Paz Zamora said he would like to point out to President Bush that, in one or two crop areas -- notably sugar and coffee where the farmers had done well, they were facing international quotas that did not allow them growth. He again emphasized that he did not want to create a subsidized economy but that clearly they needed an alternate economy. To do this he recognized that there would be infrastructure development required and he would look to multilateral institutions for this financing. (U)

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President Paz Zamora said, thus in summary, our objective is to develop an alternate economy which in the short run must have emergency social development programs but in the long-term must be based on investment and trade. He recognized U.S. deficit problems and encouraged President Bush to use his influence in the international financial institutions and with other countries to get them to help carry the burden. He wished to note in closing that the growth of coca and the production of drugs also has an adverse environmental impact. He pledged that Bolivia would do everything they could to interdict the illegal flow of drugs and cooperate on international matters. And finally two thoughts: rather than direct assistance perhaps we can both do better to encourage private investment; and, having analyzed the document handed out by President Bush, he was very appreciative of the efforts to reduce the demand in the U.S. but wondered if more couldn't be done for the Andean region. (C)

At 12:35 P.M. President Bush asked President Paz Zamora what the coca growers did before they started growing coca. President Paz Zamora replied that in the case of his country, most of the coca growers came from the tin mines as employment in that sector had virtually collapsed. (U)

At 12:40 P.M. the Minister of Foreign Affairs of Colombia, Julio Londono, asked permission to make a few comments. Addressing his remarks to President Bush, he noted that his presence among us today to debate this topic with us was a important change in attitude. "You have changed the North American position which is of utmost importance." (U)

Minister Londono continued by pointing out that the case of Colombia was different from Peru and Bolivia. While Colombia also had some coca plantations and must look at some alternative development programs, the big difference was the drug cartels and their link to terrorist activities. Just yesterday the army and intelligence officials seized a very large treasure taken from the drug cartel which contained large amounts of U.S. currency and precious minerals. So that in Colombia's case it is not so much replacing jobs but ensuring a bright economic future for Colombian citizens as they fight the narcotics cartels and terrorists. Unfortunately, we have the case of cut flowers, a collapse of the coffee agreement, and also, frankly, an unhelpful attitude on the part of the multilateral financial institutions. As we try to solve these problems, we always seem to run into some technical problems here or there; but, quite clearly, if we are to maintain this struggle in Colombia, we must move quickly on the economic front. We look upon this as moving the Colombian economy into the future in a healthy manner. It seems to me that with a very small effort we could solve this problem. A few extra cents for a pound of sugar, better prices for coffee or whatever would go a long way toward solving the problem. (U)

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Minister Londono closed by pointing that many journalists have asked what this meeting will really produce. Is this just a document, or do we have specific programs in mind to implement?

At 12:55 P.M. President Bush asked if he might respond to a few of the observations. Indeed we had concentrated \$7.6 billion in the U.S. on an effort to reduce demand. He felt that this was what they wanted. With regard to the coffee agreement the resolution required the support of many of Colombia's neighbors, notably Brazil. With regard to cut flowers there are simply certain laws that have to be followed, but he was confident that it can be resolved. The current impasse was not a "capricious move." The President then asked Secretary Baker if he might like to expand on his remarks. (Ø)

Secretary Baker pointed out that while we would be spending "only" \$500 million in the Andean region in 1991 that this was a seven fold increase over a two-year period. In addition, we anticipate spending more in FY 92. (Ø)

Nonetheless, Baker wished to emphasize, as President Bush pointed out, that we were trying to respond to a message we had heard consistently for many years and that was the need to reduce demand in the United States. (U)

At 1:00 P.M. President Paz Zamora responded that a popular observation was that the U.S. showed in its efforts to reduce demand great flexibility and generosity but little discipline and that in its efforts to reduce supply less generosity but more discipline. He also noted as the upcoming chairman of the G-7, the U.S. would be in a position to get its allies to participate in this effort. He did not expect the U.S. to pay for everything. (U)

President Garcia followed up President Paz Zamora's comments that the seven fold increase was based on 1989 being a very small program. He thought President Bush should look at aid to the Andean region not so much as a handout but an investment in American youth. Crop substitution should be looked at in light of how much will it cost us not to solve this problem. He then emphasized again that Peru did not want grants as much as it wanted lines of credit to finance new credit. He emphasized that the key now is not who is to blame but who can do what to solve the problem? (Ø)

President Bush responded by stating that he understood President Garcia's appeal and clearly understood the desirability of strong Andean economies not based on drugs. He then reemphasized his message that he was convinced that reducing the demand in the U.S. was critical to the success of this effort that the four would undertake. (U)

President Paz Zamora responded by pointing out this was not a final meeting but a first meeting, and that it would be surprising if everybody agreed on everything at the outset. He felt that the key was that we continue to meet to discuss how best to proceed. (U)

President Bush asked whether crop substitution would really work. (U)

President Garcia responded that public opinion in his country was increasingly sensitized to the struggle against drugs but that they wanted to know what they would get out of it. The farmers did not wish to go back to a non-cash economy but they would pursue other cash crops if given the opportunity. President Garcia said, "You'll just have to take our word just as we accept your word that demand reduction is occurring in the United States." (U)

Secretary Baker interjected that it was our view that crop substitution would be difficult to implement without depressing the price that growers currently receive for coca. (U)

President Garcia responded that this is a difficult and complex problem. It could only be solved by improving the prices that farmers currently receive for legal crops. For example, the collapse of the coffee agreement had cost Peruvian farmers \$230 million. (U)

At 1:20 P.M. President Bush said that he found this to be a very interesting discussion but wanted to reiterate that we must depress the price of leaf as part of our effort to find a substitute crop. (U)

President Bush continued with a new subject which was the immorality of the international drug trade. He pointed out that while much of the day had been consumed on economies -- we must not forget that the drug trade was killing children in America, killing leaders in Colombia, and destroying the economies in all three countries. (U)

At 1:25 P.M. President Paz Zamora asked to say a few words. "We are not criticizing your efforts. On the contrary, we congratulate you on the work done in the United States particularly for the work you have done as President." He finished by noting that this was a historic opportunity which we must not miss. (U)

The Minister of Foreign Affairs of Bolivia, Carlos Iturralde, noted that in his country leaf prices had indeed gone down recently. However, this had caused an unintended and unwelcomed activity. Narcotics traffickers in Bolivia were now doing more

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of the "processing" so that they could capture the income gained from refining the leaf. (U)

At 1:30 P.M., Foreign Minister Londono stated that it was clear that our countries had decided to fight the drug problem together. But due to zealous officers [presumably referring to the military officers] it may look as if we are moving toward repression. This is very dangerous in terms of public opinion. Whatever our public perceives, and perhaps it is a misunderstanding when they perceive that an officer is too aggressive, it has a "boomerang" effect. (U)

The second point that Foreign Minister Londono wished to make was that the protectionist position in the U.S foreign markets is something we would all have to wrestle. (U)

President Paz Zamora stated as his closing remarks he would like to encourage further meetings and perhaps look toward a permanent structure to implement the Declaration of Cartagena. The drafting group at Santa Cruz worked well together and our people are getting to know each other better all the time. We should examine some permanent body. (U)

At 1:35 P.M. President Barco noted that as there were no further interventions, it seemed time to adjourn the meeting. He noted in closing that this meeting signified the dawning of a new era. (U)

-- End of Meeting --

Attachments

Tab A	Thatcher Letter
Tab B	Drug Charts
Tab C	Talking Points

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Originally Processed With FOIA(s):
2000-0429-F

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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: National Security Council
Series: Presidential Memcon Files
Subseries:

OA/ID Number: CF01729
Folder ID Number: CF01729-014

Folder Title:
[Memorandum of Conversations (Memcons) - January 1990-June 1990]: February 1990
