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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Carlos Saúl Menem of Argentina (U)

PARTICIPANTS: The President
James A. Baker, Secretary of State
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
American Affairs, NSC (Notetaker)
Stephanie van Reigersberg, Interpreter

Carlos Saúl Menem, President
Domingo Cavallo, Minister of Foreign
Relations and Worship
Guido Jose Maria Di Tella, Ambassador
to the United States
Antonio Erman Gonzalez, Minister of Economy
Ana Brown, Interpreter

DATE, TIME October 1, 1990, 7:45 - 8:15 p.m. EST
AND PLACE: Waldorf Astoria Hotel, New York, N.Y.

President Menem: How are you? So good to see you again. (✓)

The President: Fine. I don't take questions during photo ops, but I did want to say to them how much we appreciate all you have done regarding Iraq. I understand you are getting more support than you were previously. I wanted to tell them that you have made great progress in establishing stability, and to praise what you have done on the economy and other things. (✓)

I want to apologize for the early hour -- I hope it did not inconvenience you. I hope that the change in trip dates did not inconvenience you, that the new dates we have set are okay. I didn't want to send the wrong signal that we are not paying attention to the Hemisphere. I wanted to be sure that it was understood that we were postponing the trip -- not canceling it. (✓)

President Menem: We were always receptive. We are looking forward to receiving you anytime. The change in dates is no problem. The new dates are very good. (✓)

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The President: I am looking forward to it. (Ø)

I want to repeat that I am very pleased with your decision to help out in the Persian Gulf. We appreciate your action very much. I don't have any controversial points. I would like to make one or two more points, but first I would like to open things up to you. (Ø)

President Menem: Argentina's attitude is to cooperate fully with the international community; to contribute by working with the U.S. and the world community to resolve international security problems. We are working with Brazil to avoid nuclear proliferation. We want to thank you, and the U.S. experts that you have provided, for the help you are giving us in establishing a broad range of safeguards. I am sure that you have heard from U.S. officials that we have ended the Condor program. I know that was an item where you were worried. You have no further reason to be worried. (Ø)

On the Enterprise of the Americas Initiative I said this to you immediately -- we appreciate the initiative very much. We have been working very hard on this. It is important to move on debt, investment, and trade. With Brazil, we are moving to develop economic integration. Also with Uruguay and Paraguay. Regarding Chile, we would like to have them also. It would help if you could give them a little push. (Ø)

The President: Why is Chile holding back? (Ø)

President Menem: Because Chile's economic stability is something we have not been able to match. After 17 years of dictatorship, they have an economic model by which they are living within their revenue. Something could be worked out -- they are on the verge. If the U.S. encourages Chile -- they will go along. (Ø)

The President: I will ask Mr. Aronson about this. (Ø)

Assistant Secretary Aronson: We have been talking. If Chile were to join, we would welcome this. They want to go with a bilateral agreement. We would be happy if they want to go with a regional approach. (Ø)

President Menem: We want to try to get a firm basis for these regional agreements in the Uruguay Round. U.S. restrictions, and countervailing duties are hurting us. I think that if on the basis of the GATT Uruguay Round we cut preferences, if we did this, we could make real progress. (Ø)

The President: I think the answer is a successful conclusion of the Uruguay Round. We are prepared to move forward, but we need agriculture. I am worried that the Round may fail due to agriculture. The Europeans are very tough. They say that the U.S. is tough. We are tough on agriculture. (Ø)

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President Menem: The Europeans are going slow on agriculture.

(C)

The President: They don't want to go anywhere on agriculture.

(C)

Secretary Baker: The President [Menem] may be talking about export enhancement programs. We put this in as a method to get Europe to the table as a package -- now they will talk. We said we would like to see the elimination of subsidies. We have said plainly that we would like to get them all out, and would do that if we could get the Europeans to go along.

The President: We are not saying this, but there is a tremendous possibility for the Round in improving the global economy. Jim [Baker] what is the figure? (C)

Secretary Baker: I think the figure is about \$500 billion. (C)

Mr. Pryce: The problem may be countervailing duties which apply because Argentina has restricted and forbidden the export of hides which amounts to a subsidiary to the local leather industry. (C)

Foreign Minister Cavallo: We are ready to sign conventions. We are willing to travel to work out the question of export subsidies. We want to open negotiations immediately. New countervailing duties on Argentina give the idea that we are getting worse treatment than before. (C)

Assistant Secretary Aronson: We are ready to talk about this.

(C)

Foreign Minister Cavallo: On leather, we have a solution. We are willing to change this. But we have eliminated subsidies on other items. But there has been no elimination of countervailing duties. (C)

The President: When situations change we should change our attitude. We need a rapid round of bilateral talks because the efforts Argentina is making are tremendous. (C)

President Menem: The other international organizations, the World Bank and the IMF, do not understand the depth of our changes and they measure our progress in terms of numbers. They don't take into account fundamental changes -- privatization -- they don't understand the problems with the U.S. companies such as American Torilum. This is a whole process. We know there is a problem with Bell Atlantic. We have a situation where the International foreign banks who fund privatization need to understand the process which is going on. We have three enterprises involving gas, electricity, and sanitation which we are privatizing. We are completely changing the idea of how we should run our economy. People do not understand how basic the change is. (C)

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The President: We are very interested in the Bell Atlantic situation. Jim [Baker], we should help. (X)

Secretary Baker: There is a little problem of a personal history here where the previous government promised certain things to the World Bank and the IMF. We intervened to get the World Bank to go in on a program. The World Bank thought Argentina did not meet its targets so there is a resistance now because of what went on before. But we can do whatever we can to make them understand. This may require quiet work with Barber Conable [head of the World Bank] to let him know that he won't get burned again. (X)

The President: I am pleased that you are speaking at the OPIC conference. We find that this helps investment for a country. (X)

President Menem: We will do what we can to promote free trade. (X)

The President: Freer competition is good for everybody. You have covered all the subjects. I wanted to discuss Tlatelelco and efforts to bring it into effect. You mentioned Condor. One last thing, we can go forward with Conable, if you feel that will help. (X)

The President: How are you getting along with the English? (X)

President Menem: Fine. We are operating cordially. (X)

On Tlatelelco, Brazil has not ratified the Treaty for reasons which are the same as ours. We worry that secrecy may be invoked. What we have done is negotiate with the IAEA a system of overall safeguards which at the same time protects industrial property as was done by Europe and Japan. The U.S. is helping us by providing experts who worked on other agreements. As soon as we get this worked out we will be in a position to move forward. (X)

The President: Thank you for telling me this. Did I mention narcotics? We are thankful for your efforts on this. (X)

President Menem: Argentina is doing all that is possible. Argentina is probably less affected because we have the best controls. In every trade convention we signed, drugs are mentioned -- with Venezuela, Mexico, Chile and Brazil. (X)

The President: That is good. Money laundering is important. We have money laundering agreements with many countries. (X)

We think that if we can get economic sanctions regarding Iraq we will set the stage for a new world order. Jim [Baker] went to

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Syria to enlist their help. We are worried about terrorists. Assad made positive comments. We may have made progress there. I know of your interest in Syria. (C)

President Menem: I mentioned my interest before in our previous conversation. My brother has been working on this. He is Ambassador to Syria. I am glad to hear that Secretary Baker's talks with Assad. I hope the talks were successful. On Syria you can assume that we are going to cooperate completely. If there are hostilities we will be the first to come and fight. (C)

The President: It is important that a number of Arab nations be in the forefront in opposing Saddam [Hussein]. Saddam has tried to play it as though it is him and the Arabs against the U.S. The facts are, and it needs to be understood, that it is Saddam against the world. (C)

President Menem: We hope that there is a new world order growing out of this difficult situation. (C)

-- End of Conversation --

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