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WASHINGTON

Not H.S.

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Jaime Jose Serra, Secretary of Commerce and Industrial Development of Mexico

PARTICIPANTS: The President
Robert Mosbacher, The Secretary of Commerce
Robert M. Gates, Assistant to the President
and Deputy for National Security Affairs

Jaime Jose Serra, Secretary of Commerce and Industrial Development

DATE, TIME: October 26, 1990, approximately 1400
AND PLACE: Century Plaza Hotel, Los Angeles

The President: So good to see you again.

Serra: We are at the end of our roadshow on the Free Trade Agreement. We've been to Houston, Dallas, Chicago and now Los Angeles. The reception has been very good although U.S. labor seems worried the agreement will take jobs away.

The President: How do you expect to handle Canada?

Serra: We've agreed to consult with a deadline of 31 January. If we do not have a trilateral deal by then, we will go bilateral with you.

The President: Why does Mulroney feel so strongly?

Secretary Mosbacher: I think it's a matter of timing. Originally, they did not want in.

Serra: I've talked to President Salinas. He sends his best regards. He is looking forward to your visit. The advance team says that it will be beautiful. I will see him tonight. We're

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all finished with the trip now. Things have been moving at home. We're recovering growth and our stability is stronger.

The President: The Chicago speculators on oil pricing are going to get burned.

Serra: In Mexico, we are not planning on \$40 oil. We want a stable market. We're trying to restore health to PEMEX and we hope to see interest rates coming down a bit. We've reversed capital flight, which was \$3 billion a year ago, and we are going to monitor it. The Free Trade Agreement is key to this.

Mosbacher: What a lot of people don't understand is that when we invest there, it builds jobs here, jobs to suppliers, transporters and so forth.

Serra: Seventy percent of the inputs will come from the U.S. Of every peso invested, 80 cents is spent in the United States.

Mosbacher: We expect 40,000 jobs to be created in the U.S.

Serra: We're very grateful to Bob (Mosbacher). By the way, your budget deal is critical to the rest of the world.

The President: (discussed the budget negotiations)

Serra: We are making a strong effort for a budget correction in Mexico. This is very difficult.

The President: The enforcement provisions in our agreement are the best aspects.

The conversation concluded with pleasantries.

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