

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

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

PARTICIPANTS: The President
Terrence Todman, U.S. Ambassador to Argentina
Nicholas Brady, Secretary of the Treasury
Robert M. Gates, Assistant to the President
and Deputy for National Security Affairs
Marlin Fitzwater, Press Secretary
Lawrence Eagleburger, Deputy Secretary of State
Allan Bromley, Assistant to the President for Science and Technology
Bernard Aronson, Assistant Secretary of State for Inter-American Affairs
David Mulford, Undersecretary of Treasury for Economic 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
Humberto Romero, Minister of Defense
Alberto Kohan, Minister of Public Health and Social Action
Antonio Erman Gonzalez, Minister of Economy
Humberto Toledo, title unknown
Eduardo Bauzá, Secretary General of the Presidency
Interpreter (unnamed)

DATE, TIME December 5, 1990, 1:50 - 3:00 p.m. Local Time
AND PLACE: Buenos Aires, Argentina

President Menem: On privatization, we have sent a package of twenty-nine companies, mostly military companies, to the Congress for authorization to privatize. With the two companies we have privatized (the phone company and the airline) we have reduced

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our debt by \$8 billion. With the privatization of these additional companies, we should save another \$18 billion. We have also been dealing with our environmental problems. (C)

The President: Dr. Bromley has done much good work on the environment on the scientific side. We have just passed a clean air act which is very expensive. It will cost billions. (C)

President Menem: Regarding the environment, it is so important that I have set up a special group to work on it, and put the Presidency in charge of the work. We have great problems here, but our problems are not as great as Chile's. (C)

Foreign Minister Cavallo: There is a proposal for a regional institute for Global change research which we would like to see located in Argentina. We have an excellent support infrastructure.

The President: We need to have a balanced approach to environmental questions. (C)

President Menem: We can work together on this. We can have both bilateral and multilateral approaches to the problems. (C)

Foreign Minister Cavallo: We have helped by talking with your Congress. (C)

The President: I think Brazil thought we were encroaching on their sovereignty when we mentioned environment to them under the previous administration. Former President Sarney was dubious when we spoke to him about it. (C)

Foreign Minister Cavallo: Secretary Baker has been very supportive of Argentina. Two weeks ago, when we were having trouble with the British on fisheries, I asked to see him with no advance notice. He saw me immediately. I asked for his support, and he was very helpful. I want to thank you, Mr. President. Mr. Hurd was a big help also. Prime Minister Major should be a positive influence on UK-Argentine relations. He was helpful when we established relations. (C)

I would like to mention our desire for a bilateral investment treaty. We have a bilateral treaty with the British and other European countries, and don't have one with you. (C)

Ambassador Todman: We can have a treaty any time if we can solve one problem -- the "fork in the road." We believe that our investors must be able to make a choice at the beginning of an investment dispute of whether to seek redress in local courts or through international arbitration. (C)

Foreign Minister Cavallo: We need to convince our legislature on that. (C)

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President Menem: I hope you will not forget what I asked about cooperation with our armed forces. If we had a greater amount of cooperation, we could act with the United States in other places like we are doing in the Persian Gulf. Perhaps there would be a possibility of joint action regarding El Salvador. I believe we could help in El Salvador. We want to modernize and standardize our equipment, and improve our structure. (C)

The President: I thanked President Menem for his support in the Persian Gulf. The bigger the response, and the more nations involved, the better. You moved with great courage. (C)

President Menem: It was the least we could do. We did it by decree. (C)

Foreign Minister Cavallo: But we will now send a bill to the Congress. (C)

The President: Maybe the last UN resolution will help. (C)

President Menem: It has already helped a lot. (C)

President Menem and FM Cavallo: The United Nations is now working like it was meant to do. (C)

The President: It is much easier to work in the UN when the Soviets are cooperating. My last meeting with Gorbachev was very warm. The press said it was cold. That simply was not so. He did not want to announce anything publicly at the time, so the press said the meeting was cold. (C)

President Menem: When I talked with Gorbachev, he told me that the highest Chinese authorities, the President, the Foreign Minister, the Head of the Communist Party -- they had almost the same approach as the Soviet Union. The Foreign Minister said two weeks ago that he thought war was imminent. (C)

The President: Why do you think they abstained? (C)

President Menem: For internal consumption. They knew abstention would not change the outcome. (C)

The President: We still have some problems with them. On MFN, for example. I am against Tiananmen, but we need to work with them. We will not be effective if we get their back up. (C)

President Menem: We need to get them to move away from a hard political regime. They have tremendous problems. They have a population of 1.2 billion which increases by 15 million a year in spite of a stringent birth control program. They are more advanced than the Soviet Union economically. (C)

The President: The Soviet Union is in a difficult position. I asked about bread, and they said that in some parts of the

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country there was such an oversupply that they used the loaves for soccer balls. (C)

Foreign Minister Cavallo: They tell me that they are having great economic problems. (C)

The President: When I flew with Gorbachev to Camp David, we flew over some houses and Gorbachev asked about ownership. He could not grasp the idea of how a private enterprise economy works. (C)

Foreign Minister Cavallo: They need help. (C)

The President: Bob [Gates], perhaps you would like to say a few words about the Soviet Union. (C)

Mr. Gates: A basic problem in the Soviet Union is that the old system is being dismantled before a new one is in place. In addition, Gorbachev has the challenge of relationships with the Republics. You have three crises, political, economic, and relations with the Republics. Gorbachev has liberated the Soviet Union from the past. The question is how far can he go toward the future. (C)

The President: What is the latest between Yeltzen and Gorbachev? (C)

Mr. Gates: Yeltzen was kicked out of the Politburo by Gorbachev so there is a basic problem between the two. Yeltzin has used the rules to challenge Gorbachev. He doesn't want to bring down the system. They work together at times. Yeltzen wants the Russian Republic to be more powerful. (C)

President Menem: There is a real problem of ethnic groups in the Soviet Union. Both are learning to live with each other. (C)

What more do you want to know? (C)

The President: There is so much that I don't know. I don't have any specific questions. I want to convey to you that we are full partners. Some felt that there is a sort of benign neglect or lack of interest on our part in Latin America. That is certainly not the case. (C)

Foreign Minister Cavallo: We have sensed your interest and your administration's interests. When I was in Brussels, Carla Hills organized a dinner for me with herself and Yuetter. I think it was very positive. And when I wanted to see Secretary Baker, he said yes and saw me right away. (C)

Minister of Defense Romero: We need more interaction between our militaries. Your support will send a signal to the troops of your support for the government. If we can standardize our equipment, we would have better possibilities of joint

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operations. We want to talk with you about improving our structure. (C)

The President: I understand that there will be a meeting with a military team coming from the United States next week headed by a general. Let's see how they do. (C)

-- End of Conversation --

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