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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Luncheon with Alberto Fujimori, President of Peru (U)

PARTICIPANTS: The President
The Vice President
Lawrence Eagleburger, Acting Secretary of State
John E. Robson, Acting Secretary of the Treasury
William P. Barr, Acting Attorney General
John H. Sununu, Chief of Staff
Robert Martinez, Director of National Drug Control Policy
Brent Scowcroft, Assistant to the President for National Security Affairs
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
Anthony C. E. Quainton, U.S. Ambassador to Peru
Thomas E. McNamara, Senior Director for International Programs, NSC Staff
William T. Pryce, Senior Director for Latin American and Caribbean Affairs, NSC Staff (Notetaker)
Stephanie van Reigersberg, Interpreter

Alberto Kenyo Fujimori, President of Peru
Carlos Torres y Torres Lara, President of the Council of Ministers and Minister of Foreign Affairs
Augusto Antonioli Vasquez, Minister of Justice
Cesar Fernandez Arce, President of the Supreme Court
Pedro Mendez Jurado, Attorney General
Arnaldo Velarde, Commanding Officer, Peruvia: Air Force
Roberto MacLean, Ambassador to the United States
Hernando de Soto, Advisor to the President Peru

DATE, TIME AND PLACE: September 17, 1991, 12:15 - 1:15pm DST
Old Family Dining Room

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The President: Well, we need to talk about other agenda items, but let's continue with narcotics. Governor Martinez, would you like to say something? (U)

Governor Martinez: I agree that property rights and title to property are useful and the ability to bring across the market place is a good approach. I think there is no doubt that Mr. de Soto outlined a very interesting plan, so long as there is also interdiction. Law enforcement goes along with economic assistance. (S)

General Scowcroft: It seems that there is a question of economics. Have you seen that the alternative crops will be economically viable? Can you get something to grow that will bring in \$200 million? (S)

President Fujimori: The Upper Hualлага Valley is very, very fertile. It could become the breadbasket of Peru. Now it is more profitable to produce coca. The coca traffickers come right to the coca farmer for his product. When coca prices are low, the farmers could produce other products profitably. But other crops need a system of transportation to get them to market, otherwise the farmer has no outlet. He can sell the coca on his own farm, but can't get other products to market. Under an effective crop substitution plan, we would need to give preferential treatment for the farmers which would allow us to give him an incentive. Let's suppose you give us preferential treatment such as zero customs for a five-year period and as the Europeans have already given us. You should do this. (S)

Mr. de Soto: I think an important fact is markets. We have 1800 different surveys of alternative crops which talk about what would be marketable. I had a meeting with Secretary Kemp regarding his project HOPE (Housing Opportunity for People Everywhere). I said what are you giving people? He said we are now taking a different approach. We are not trying to direct people; we are giving them the opportunity to do (regarding housing) what they want to do. We need to trust people, we need to have people know what they want to do and help them do it. We need to find out what the farmers want to market. (S)

The President: I have a question. Suppose the farmer marketing today doesn't want to grow coca, he wants to grow something else, like rice, why can't he do that right today? (S)

Mr. de Soto: Because there is no profit in small hectares (acreage). He is now limited to two hectares because of the lack of title. If you gave him title to a greater amount of land then the market would open up. And you have to give him the capacity to get the product to market. (S)

Acting Secretary Eagleburger: If they shift, what will happen? What kind of reaction will there be from the Cartel, terrorism? (S)

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Mr. de Soto: We really don't know. The traffickers have trouble in working with the farmers. Fifty percent of them say they don't really want to grow coca. A year ago only three percent were against drugs, but with President Fujimori's program we have explained the problem with drugs, and now 81% of the people would prefer not to be involved with narcotics. (S)

The President: Why would the drug cartels, since they are only paying \$100 million for all the coca there, if the farmers decide to grow rice, not simply say hey, we will raise the price? (S)

Mr. de Soto: Anything could happen. We don't know too much, but they can't do that because there are thousands of buyers. In a case where the price in the U.S. goes up we find that it goes down in Peru. What the government has to offer the farmer is much better. Property rights -- when you get title to land this doubles the price of the land, value of land rises. You can also pass it on to your son. The government can bring electricity, roads and respectability -- this is something the traffickers cannot do. (S)

Mr. Pryce: Yes, but is there a market for other products? (S)

The President: If the value of the coca goes up, can you shift? (S)

Mr. de Soto: These are areas where we need to talk. These are things we must ask ourselves. We need to deal with the coca growers, not only in terms of maximum money. President Fujimori has identified 57 and 117 different agriculture committees in two areas. We need to deal with them as representatives of the farmers and see how we meet their needs. (S)

The President: How do you feel about your neighbors? Does your success depend upon the success in Colombia and Bolivia? Are you optimistic? As I heard in Cartagena, we are all in this together. I'm glad you mentioned consumption. We want people to know that we are trying to reduce demand. Is there a problem with non-cooperation from neighbors, or is this going well? (S)

President Fujimori: Progress at Cartagena was good, but there has been an increase in coca cultivation. We are re-analyzing. We need to control production of coca leaves if we control demand. We are attacking the problem in a radical approach. We are going to the very root of the problem, not just the symptoms. If we work in an effective way, we will defeat the narco-traffickers. I think our neighbors are making a great effort, but their problems are different. They are in trafficking, we are mainly in growing. (S)

The President: President Fujimori's doctrine of making farming commercially viable will be different perhaps in other countries; it would not apply in Colombia. (S)

Assistant Secretary Aronson: It would apply more so in Bolivia. (S)

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The President: Do you think that President Gaviria's policy of amnesty will work? I hope so. (S)

President Fujimori: The problem for them is that the traffickers are so strong. We don't have strong traffickers, but we are not prepared to bargain, and we do mention the possibility of extradition. (S)

The President: What do you think, Bernie? (U)

Assistant Secretary Aronson: Both economics and security are necessary. The aid money would allow people to build roads which will allow better infrastructure. The President has proposed a special trade preference for the Andean countries. If this passes it will mean that there will be special preference for the Andes for up to ten years. If President Fujimori can talk to Congressional people, this will help very much with this aspect of the Enterprise for the Americas. (S)

President Fujimori: I will continue to talk to Congress. I talked with Congressman Obey and he said I was a good salesman, perhaps that is because I am of Japanese ancestry. (S)

The President: Anything you can do with the Congress will be a very big help. (S)

Acting Secretary Eagleburger: We are leaning heavily on the Hill. (S)

The President: We need to think about Senator Dodd. (S)

Acting Secretary Robson: We will be signing an anti-money laundering agreement, which will help. (S)

President Fujimori: General Velarde, who is here with us, has done very important things in the fight against narcotic traffickers. I think that you might be able to support what he is trying to do with assistance. (S)

Assistant Secretary Aronson: I believe part of the aid we have in mind includes spare parts to refurbish and improve aircraft. There may be a possibility of new aircraft. (S)

General Velarde: The week before last, I came up here and talked with Chief of the Air Force General McPeake. We talked about the problems we have and the idea of an intense campaign against air trafficking. This is the most effective military operation against narcotics trafficking. In the Upper Huallaga Valley we were able to keep planes and aircraft on the ground and to interdict Colombian flights with very little training. We have active anti-drug strategy. We have a request in to Mr. McPeake to supply us with the Bronco OV-10 plane, which will allow us to intercept. We want only little planes. You are a pilot, so you know how UV-10s can fight narcotic traffickers. We need more OV-10 Broncos. (S)

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The President: What are you up against. Cessnas, Beechcraft?
(S)

General Velarde: Basically two engine Cessnas. When we began we were working with Brazilian Tucans, but we find that we need a faster plane with greater range. Our fight against anti-narcotic traffickers is not an easy one. The Air Force is most effective. We stopped seven Colombian planes without a single person being injured. They were forced down, not shot down. The Air Force has been very helpful in contributing its P-3s to our operation. We would like to get Broncos and also four radar. We try to concentrate in six areas. Our capacity to control is very limited. I don't want to bore you but I do want to say that the first operations we had with AWACS on the first day without any previous training with you, we forced down a Colombian plane. Our A-37s did it and they are not really equipped to do it. (S)

The President: Was the plane carrying drugs, using U.S. pilots or Colombian pilots, were they Soldiers of Fortune? (S)

General Velarde: This gave us an opportunity to cooperate with Ecuador. We cooperated with Ecuador because the plane we forced down landed in Ecuador and was captured there. The pilots were Colombians. (S)

The President: How did you feel your talks with General McPeake went? (S)

General Velarde: It seems that the few Broncos which are available have already been spoken for by other countries. (S)

The President: Let us see what we can do. (S)

Mr. McNamara: The OV-10 has gone to Colombia under a program that was designed to be a cooperative program. The AWACS has been successful in cooperation with the OV-10. We are optimistic that programs will develop over the next year. It is designed to expand regionally in Peru and involve Ecuador. (S)

The President: Where do the AWACS come from? (S)

Mr. McNamara: From SOUTHCOM in Panama, mostly, some from the U.S. (S)

General Velarde: In two months we will use the AWACS and two radar and see if we can make a dent in the traffic by air. We will do a full deployment with your cooperation. (S)

Acting Secretary Eagleburger: General Joulwan has been very supportive of this. (S)

General Velarde: Oh yes, Joulwan has been very enthusiastic on this. One of the problems we have is night operations. (S)

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The President: What we are learning is that we need both interdiction and economic progress. (S)

President Fujimori: We know that we will not have success with economic programs alone. (S)

The President: Who would have thought when you came in that there would be this much change in the world. We see nothing but good in the development of the Soviet Union following the policies of Yeltsin and Gorbachev. Although things are uncomfortable I think the changes benefit everybody. I am afraid that it may appear to South America that we will somehow get all involved with Eastern Europe or Afghanistan and other places to the point that we lose sight of our neighbors in the Hemisphere. We are enthusiastic about that change in Eastern Europe, but that does not mean that there is any dimension of our interest in our own Hemisphere. The changes in the Hemisphere are just as exciting, we are working for democracy in the Hemisphere, and improved relations in Eastern Europe help but our interest there is not to neglect the countries of the Hemisphere. I wanted you to hear from me that we have a keen and enormous interest in the Hemisphere. The Enterprise for the Americas Initiative is no slogan. We don't need more slogans. We will be as actively engaged as possible, but we don't want to be overbearing. You may see us shaking hands with Gorbachev or Yeltsin, but we don't want South America to convey any sense of neglect. (S)

President Fujimori: We are very happy to hear first hand you mention friends in South America and pleased that you have taken so much time to discuss Peru and its problems. The Enterprise for the Americas Initiative is bearing fruit -- it is very important for the development of Latin America. (S)

The President: I hope we can enhance Peru's situation. The Enterprise for the Americas is very important to us and we will be working hard to make it effective. One important thing before we leave, how do you spell your son's name? (S)

President Fujimori: Kenji. (U)

The President: I understand he is a souvenir collector, and I have something to give him. (U)

President Fujimori: He will be very proud. (U)

The President: I think it is very important to have strong family values. When I think of South America, I think of the strength that family brings. I think that your family values in Latin America are a strong help. I worry about why our families these days are sometimes less strong. Family values are still strong but need to be encouraged. (S)

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