Originally Processed With FOIA(s):
2009-0275-S

FOIA Number:
2009-0275-S

FOIA MARKER

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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files

OA/ID Number: 91139
Folder ID Number: 91139-011

Folder Title:
Latin America - Economics (October 1990)

Stack:	Row:	Section:	Shelf:	Position:
G	34	3	5	4

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Outline	Re: Meeting with President Patricio Aylwin (3 pp.)	10/1/90	(b)(1)	C
01b. Talking Points	Re: Points To Be Made for Meeting with Chilean President Patricio Aylwin (4 pp.)	n.d.	(b)(1)	C
01c. Report	Re: Biography (2 pp.)	3/19/90	(b)(1)	S
01d. Scenesetter	Re: President's Meeting with Chilean President Patricio Aylwin Scenesetter (5 pp.)	n.d.	(b)(1)	C
02a. Letter	President Bush to Secretary General of the Organization of American States Joao Clemente Baena Soares (1 pp.)	10/12/90	(b)(1)	
02b. Memo	Brent Scowcroft to POTUS Re: Your Reply to a Letter from OAS Secretary General Baena Soares Proposing an OAS Debt Conversion Fund (2 pp.)	10/11/90	(b)(1)	C
02c. Letter	OAS Secretary General Joao Clemente Baena Soares to President Bush (2 pp.)	8/3/90	(b)(1)	
02d. Note	POTUS to Brent [Scowcroft] (1 pp.)	8/10/90	(b)(1)	
02e. Memo	J. Stapleton Roy to Brent Scowcroft Re: Suggested Reply to Letter of OAS Secretary General Baena Soares Proposing Creation of OAS Debt Conversion Fund (1 pp.)	8/17/90	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Pinksheet Number: cap1164
OA/ID Number: 91139-011
Date Closed: 5/15/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
02f. Draft Letter	Re: State Department Suggested Reply to OAS Secretary General Joao Clemente Baena Soares (1 pp.)	n.d.	(b)(1)	
02g. Draft Letter	President Bush to OAS Secretary General Joao Clemente Baena Soares (1 pp.)	n.d.	(b)(1)	
02h. Draft Letter	President Bush to OAS Secretary General Joao Clemente Baena Soares (1 pp.)	n.d.	(b)(1)	
03a. Memo	Donald C. Johnson to Brent Scowcroft Re: Enterprise for the Americas Initiative -- Progress and Problem Areas (4 pp.)	10/12/90	(b)(1)	C
03b. Memo	David A. Pacelli/Meg Lundsager to Brent Scowcroft Re: Eagleburger Memorandum on Multilateral Assistance to Central America (2 pp.)	9/11/90	(b)(1)	C
03c. Talking Points	Re: Points To Be Made for Possible Telephone Call from Deputy Secretary of State Eagleburger (1 pp.)	n.d.	(b)(1)	C
03d. Letter	Lawrence S. Eagleburger to John E. Robson (1 pp.)	8/31/90	(b)(1)	
03e. Paper	Re: Concept Paper: A Partnership for Democracy and Development in Central America (2 pp.)	n.d.	(b)(1)	
03f. Cable	Re: U.S. - Japan Consultations on Latin America: MOFA Perplexed About U.S. Development Strategy (3 pp.)	n.d.	(b)(1)	C

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Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
04a. Letter	President Bush to President Carlos Andres Perez (1 pp.)	10/12/90	(b)(1)	
04b. Memo	Brent Scowcroft to POTUS Re: Letter to President Perez on Debt (1 pp.)	10/11/90	(b)(1)	C
04c. Memo	Donald C. Johnson to Brent Scowcroft Re: Reply to President Perez on Debt (1 pp.)	10/9/90	(b)(1)	C
04d. Draft Letter	Re: Department of State Suggested Draft Reply to President Carlos Andres Perez from President Bush (2 pp.)	n.d.	(b)(1)	
04e. Letter	President Carlos Andres Perez to President Bush [English] (2 pp.)	7/9/90	(b)(1)	
04f. Letter	President Carlos Andres Perez to President Bush [Spanish] (1 pp.)	7/9/90	(b)(1)	
04g. Letter	President Carlos Andres Perez to President Bush [Unofficial Translation] (1 pp.)	7/9/90	(b)(1)	
04h. Resolution	Re: Resolution I Latin American and Caribbean Proposal for a Solution to Its External Debt Problem Adopted at the Regional Cnference on External Debt (17 pp.)	6/18-22/90	(b)(1)	
05. Letter	Prime Minister Mulroney to President Bush (1 pp.)	9/21/90	(b)(1)	

Collection:

Record Group: Bush Presidential Records
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WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Pinksheet Number: cap1164
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Date Closed: 5/15/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
06a. Memo	Donald C. Johnson/Eric D. Melby to Brent Scowcroft Re: Funding for the Partnership for Democracy and Development (2 pp.)	10/29/90	(b)(1)	C
06b. Cable	Re: The Partnership for Democracy and Develeopment in Central America (7 pp.)	10/23/90	(b)(1)	
06c. Report	Re: The PDD… (1 pp.)	n.d.	(b)(1)	C
06d. Report	Re: The PDD… (1 pp.)	n.d.	(b)(1)	
07a. Memo	Brent Scowcroft to POTUS Re: International Debt: Uruguay and Chile (1 pp.)	11/5/90	(b)(1)	
07b. Memo	Timothy E. Deal to Brent Scowcroft Re: International Debt: Uruguay and Chile (1 pp.)	10/26/90	(b)(1)	
07c. Memo	Nicholas F. Brady to POTUS Re; Uruguay and Chile (1 pp.)	10/16/90	(b)(1)	

Collection:

Record Group: Bush Presidential Records
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Date Closed: 5/15/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

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NSC/S PROFILE

RECORD ID: 9007748
RECEIVED: 28 SEP 90 12

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 01 OCT 90
SOURCE REF:

2.

KEYWORDS: CHILE AP

PERSONS: AYLWIN, PATRICIO

SUBJECT: PRES MTG W/ PRES AYLWIN ON 2 OCT

ACTION: NOTED BY PRES DUE DATE: 02 OCT 90 STATUS: C

STAFF OFFICER: JOHNSON LOGREF: 9007761

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		JOHNSON
		NSC CHRON

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 5/15/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSMJT CLOSED BY: NSLMS DOC 2 OF 2

~~CONFIDENTIAL~~

National Security Council
The White House

PROOFED BY: JKM

URGENT NOT PROOFED: _____

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LOG # 7748

SYSTEM (PRS) NSC INT

DOC LOG AM A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	1	KH	A
Bill Sittmann	2		
Bob Gates	3	8	
Brent Scowcroft	4	✓	
Bill Sittmann			
Situation Room	16/1 orig Ayiien		
West Wing Desk	5 to [illegible]		
NSC Secretariat	6		N/R

RECEIVED 90 SEP 26 P4:45

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP ✓ Sununu Other Florence

Should be seen by: _____ (Date/Time)

COMMENTS Original given to John Gardner by Exec Sec on 10/1

Pres Aylwin visit Oct 2, 11:15 a.m.

DISPATCH INSTRUCTIONS:

Exec Sec Off has diskette

THE WHITE HOUSE

WASHINGTON

October 1, 1990

MEETING WITH PRESIDENT PATRICIO AYLWIN
DATE: October 2, 1990
LOCATION: Oval Office/Cabinet Room
TIME: 11:15 - 11:45 a.m.

FROM: BRENT SCOWCROFT

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/24

I. PURPOSE

To get acquainted with President Aylwin, reaffirm our strong support for democracy in Chile, press for Chilean legislative action on troublesome issues, and lay the groundwork for your December visit to Santiago.

II. BACKGROUND

Relations with Chile are traveling through some choppy waters right now. Ironically, the difficulties are the result of the return to democracy, which slows down the process of legislation and requires extensive debate and consultation. Both countries thought that the return of democracy would allow them to quickly jettison the baggage of the past and consolidate our excellent economic relationship. It hasn't been that simple.

Aside from establishing personal rapport with you in this first meeting, Aylwin will urge you to address key economic and legislative issues. We want to show strong support for Chilean democracy, and demonstrate willingness to solve the bilateral problems left over from Pinochet's time, without, of course, giving away the store.

The two most troublesome issues right now involve the Letelier case, and restoration of GSP benefits to Chile. At USTR insistence, we are holding GSP "hostage" until the Chilean Congress passes an effective pharmaceutical patent protection law. Aylwin is having trouble getting an acceptable draft through his Congress. Pinochet tried to ram this legislation through Congress before he left office, but failed to do it right. The whole package had to start over.

One important piece of good news that you can give Aylwin is that USTR has cleared the way for OPIC to resume investment guarantee programs in Chile. These OPIC programs had been revoked under Pinochet because of worker rights abuses. USTR has determined that the situation has been remedied,

freeing OPIC to resume its programs. We hope this announcement will give Aylwin leverage to get action from his Congress on the pharmaceutical law.

On the Letelier case, things are not so upbeat. On June 11, 1990 we signed an agreement under which Chile will provide ex gratia compensation to the Letelier and Moffitt families. This agreement requires Chilean congressional approval, which has not been completed. A separate piece of legislation transferring jurisdiction over the Letelier assassination from military to civilian courts is also moving very slowly through their Congress. As a result, we have not been able to get beyond Kennedy-Harkin restrictions against arms sales and other forms of security assistance.

Aylwin may feel compelled to raise the 1989 poisoned grape incident. The Chilean fruit exporters, who suffered losses from this incident, are pressing the government to seek compensation from the U.S., claiming that Food and Drug Administration bungling caused the fruit embargo. A recent GAO study indicates that the FDA lab which handled the grapes was proficient, that the method of analysis as examined by outside independent scientists was sound, and that the Administration acted responsibly. Senator Helms, who requested the GAO study, has not yet released it. If President Aylwin raises this case, you can express regret over the losses, but tell Aylwin about the findings of the GAO report.

Aylwin may also mention to you his concern about the effect of marketing orders in the new farm bill. In addition to grapes, the new bill would cover kiwis, nectarines, plums and possibly apples. The Chileans see the marketing orders as protectionist. Our trade statistics show that Chile's grape exports have grown steadily; from 1987 through mid-1990, their exports grew from 24 to 41 million boxes. We believe the marketing orders are compatible with GATT principles and promote market stability and consumer confidence. If Aylwin raises this, you can offer to look at ways in which USDA could help Chile meet new inspection and quality standards.

Chile gave an enthusiastic welcome to your Enterprise for the Americas initiative, and we will sign a bilateral framework agreement during the Aylwin visit. In addition to the framework agreement, Chile has been pressing us for a commitment to negotiate a free trade agreement.

Agency views on how we should handle this differ widely, with State eager to move forward and give Aylwin an FTA commitment, while USTR is strongly opposed, arguing that

Chile is too small a market. NSC and Treasury favor a middle course; we would tell Chile that we are willing in principle to conclude a bilateral free trade agreement, but that the timing for this will have to be worked out, as we have a commitment to negotiate first with Mexico. If raised, you can tell Aylwin that we have a commitment to do an FTA with Mexico first, but add that you will task your advisers to work with Chile on how we could make the transition from the framework agreement to an FTA.

In international affairs, Chile is slowly beginning to take a more active role. Relations have been re-established with Moscow, and Chile has joined the Latin American Rio Group. On Iraq, Chile is in strict compliance with all sanctions, and has announced a ban on arms sales. You can congratulate Aylwin on his diplomatic efforts, thank him for support on Iraq, and urge Chile to take a more active role to protect international human rights.

III. PARTICIPANTS

A list of participants is at Tab B.

IV. PRESS PLAN

Open photo, writing pool.

V. SEQUENCE

Photo opportunity in the Oval Office, followed by meeting in the Cabinet Room.

Attachments
Tab A Points to be Made
Tab B List of Participants
Tab C Biography

PARTICIPANTS

U.S.

The President
Lawrence Eagleburger, Acting Secretary of State
John H. Sununu, Chief of Staff
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
Charles A. Gillespie, U.S. Ambassador to Chile
William T. Pryce, Special Assistant to the President and Senior Director for Latin American and Caribbean Affairs
Barbara Phillips, Interpreter

CHILE

Patricio Aylwin, President of Chile
Enrique Silva Cimma, Foreign Minister
Patricio Silva, Chilean Ambassador to the United States
Carlos Bascunan, Chief of Staff to President Aylwin
Carlos Portales, Director General, Ministry of Foreign Relations
Estela Lorca, Interpreter

TAB A

~~CONFIDENTIAL~~

POINTS TO BE MADE FOR MEETING WITH
CHILEAN PRESIDENT PATRICIO AYLWIN

-- Congratulations on a successful first six months in office. You have guided your country carefully and well in its return to democracy, and you have our respect and admiration.

-- You are the only Latin American leader that I am meeting here at the White House in this series of consultations related to the UNGA. In this small way, we wanted to demonstrate our full support for Chilean democracy.

-- I am looking forward to my trip to South America in December. Planning for it is already under way.

-- I am aware that some problems in our bilateral relationship remain to be worked out. I want to tell you that the U.S. wants to solve these issues, so we can move on to a new and broader agenda with a democratic Chile.

GSP and OPIC Benefits

-- I am pleased to tell you that we have cleared the way for OPIC to resume investment guarantee programs in Chile. The worker rights question from Pinochet's time has been resolved, and we look forward to an active OPIC program in Chile.

-- We are eager to restore GSP benefits. We will be in a position to do this once the Chilean Congress passes pharmaceutical patent protection along the lines that you

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PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/24

originally proposed to your Congress. I hope our OPIC decision will make it easier to get the pharmaceutical law passed, so that we can move on GSP.

-- My strong hope is that the GSP issue will be well behind us by the time of my visit.

Letelier Case

-- We are still living with the consequences of this terrible act. We applaud your courage in seeking to have jurisdiction over this case transferred from the military to civilian courts.

-- We were also very pleased with our June 11 agreement to set up a process to provide ex gratia compensation to the Letelier and Moffitt families.

-- You are no doubt aware that our ability to have normal security assistance relations with Chile depends on satisfactory progress on this case. Successful legislation, and the appointment of a special investigator, will make it possible for us to lift the Kennedy-Harkin sanctions, something which we would like very much to do.

Poisoned Grapes

-- We regret that Chilean fruit exporters perceive that their losses in 1989 were caused unnecessarily by our Food and Drug Administration.

-- We are convinced that the FDA acted responsibly and had no choice but to take the action it did to protect the health of the American public.

-- Our General Accounting Office just completed a study of this issue. The GAO report finds that the FDA laboratory was proficient, that the method of analysis as examined by outside independent scientists was sound, and that the Administration acted responsibly. This report has not yet been made public.

-- We want to avoid having this case becoming an irritant in our bilateral relations.

Marketing Orders

-- The farm bill now before Congress would add kiwis, nectarines, plums, and possibly apples to the grapes that are already covered. We believe that these orders are compatible with GATT principles, as they help to stabilize markets and promote consumer confidence.

-- To mitigate the impact on Chilean fruit exports, the Administration is exploring the possibility that our Department of Agriculture help train Chileans in inspection standards. This would reduce the likelihood of Chilean fruit being rejected at port of entry.

Framework Agreement, Free Trade Agreement

-- Congratulations on the signing of our bilateral framework agreement on trade and investment. This is the third one since the Enterprise for the Americas initiative was announced.

-- Chile is seen throughout Latin America an a model of responsible, creative debt management and sound economic

policies. For this reason, the enthusiastic welcome that Chile gave to the Enterprise for the Americas was particularly welcome.

-- I am aware that Chile has expressed a strong desire to move forward with a bilateral free trade agreement. You know that we have a commitment to proceed first with Mexico, so that we cannot decide the issue now, but I will ask my top advisers to work with yours to see how we could make the transition from the framework agreement towards a free trade agreement. We can discuss this issue further during my trip in December.

International Issues

-- We note that Chile has been steadily expanding its diplomatic activity since the return of democracy. We welcome this.

-- We very much appreciate Chile's strong public and private support for the UN resolutions and sanctions against Iraq. We have to make them work.

-- As you develop you diplomacy, one area that Chile could play an extremely positive role would be in the protection of human rights. We urge you to take on this role, particularly in Latin America.

TAB B

TAB C

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01c. Report	Re: Biography (2 pp.)	3/19/90	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Date Closed:	5/15/2009	**OA/ID Number:**	91139-011
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

TAB I

~~CONFIDENTIAL~~

PRESIDENT'S MEETING WITH
CHILEAN PRESIDENT PATRICIO AYLWIN
SCENESETTER

SIGNIFICANCE OF MEETING

-- You have not yet met Aylwin, but you called him on December 14, 1989, to congratulate him on winning the election. The Chileans will view this meeting as an important sign of U.S. support for Chile's first democratic government in nearly seventeen years.

DOMESTIC SITUATION

-- Aylwin was inaugurated on March 11, 1990, and will serve a four-year term. He has proved to be a very effective leader of a moderate center-left coalition government during his first six months in office.

-- Aylwin's conciliatory approach to the military has led to relatively smooth civil-military relations during the democratic transition, even though General Pinochet remains Commander-in-Chief of the Army and has a penchant for imprudent remarks in public.

-- Aylwin appointed a Commission on Truth and Reconciliation to investigate the most serious human rights abuse cases and to recommend appropriate non-monetary compensation to victims and their families.

-- The present government enjoys broad support at home and abroad for its decision to continue with the free-trade, open-market economic model embraced by the previous regime.

ENTERPRISE FOR THE AMERICAS INITIATIVE

-- Chile, a strong advocate of free-trade principles, was one of the first countries to respond enthusiastically to the ideas expressed in your June 27 speech.

-- USTR and the GOC are now negotiating a bilateral framework agreement covering trade and investment. While the GOC is eager to move quickly on to a free trade agreement with us, an Federal Trade Agreement with Mexico has first priority.

~~CONFIDENTIAL~~
DECL: OADR

DECLASSIFIED
PER DOS WAIVER, November 6, 2015
By SS NARA, Date 3/1/24

CHILE AND THE INTERNATIONAL COMMUNITY

-- After many years of isolation, the GOC is committed to Chile's reintegration into the international arena. It has joined the Group of Eight and seeks expanded relations with the Pacific Basin regional organizations.

-- Chile has reestablished relations with Mexico, Nicaragua, most of the Eastern European countries, and the Soviet Union, but not with Cuba due to Cuba's role in Chile during 1970-73 when a Marxist government was in power.

IRAQ

-- In support of UN Security Council resolutions 661 and 662, the GOC has announced a ban on arms sales to Iraq and Kuwait. Chile is in strict compliance with all sanctions.

-- Chilean arms manufacturer Carlos Cardoen sold cluster bombs to Iraq during the Iran war. He still operates a plant in Iraq that allegedly makes fuses used on bombs and rockets. The Iraqis will not allow seven Chilean engineers to leave until the terms of the Cardoen-GOI contract are met.

KENNEDY-HARKIN AMENDMENT SANCTIONS (LETELIER CASE)

-- The amendment imposes an embargo on arms sales and other security assistance. It requires the GOC to take "appropriate steps" to bring to justice those responsible for the 1976 assassination in Washington of former Chilean official Ambassador Orlando Letelier and American citizen Ronni Moffitt.

-- On the criminal side, the USG awaits passage of a bill that shifts the case from military to civilian courts, followed by the appointment of a special investigating judge. On the civil side, it awaits ratification of the June 11, 1990, bilateral agreement creating an international commission to determine monetary compensation to the Letelier and Moffitt families.

Trade Issues

-- GSP/OPIC BENEFITS: Benefits were suspended in 1987 on grounds of worker rights abuses. A much improved climate for workers prevails under the new government. Linking IPR to this issue, USTR wants pharmaceutical patent protection legislation passed before restoring benefits.

-- COMPENSATION FOR GRAPE LOSSES: Chilean fruit exporters sustained losses in 1989 as a result of a temporary FDA embargo on grape imports when several poisoned grapes were discovered in a shipment from Chile. At that time several threats to poison fruit shipments to the U.S. had been received by the U.S. Embassy in Chile. This has been a very sore point ever since. They are now talking about seeking compensation from the USG.

PRESIDENT'S MEETING WITH
CHILEAN PRESIDENT PATRICIO AYLWIN
TALKING POINTS

BILATERAL RELATIONS

-- We applaud Chile's peaceful transition back to its democratic traditions. I congratulate you on the important role you have played and will continue to play in the process.

-- The USG wishes to cooperate with Chile on many fronts. We seek a resolution to those issues which have caused strains between our two governments, specifically restoration of GSP and OPIC benefits and removal of the Kennedy-Harkin sanctions.

-- GSP and OPIC benefits can be restored once the USG determination is made that Chile meets the worker rights requirement under GSP law and the Chilean Congress passes patent protection legislation.

ENTERPRISE FOR THE AMERICAS INITIATIVE

-- We welcome the signing of a bilateral framework agreement on trade and investment. This will provide a constructive forum for future discussions.

-- We are eager to bring the Uruguay Round to a successful conclusion in December and strongly encourage GOC efforts to help make that happen.

-- Chile is seen throughout Latin America as a model of responsible, creative debt management and sound economic policies. I encourage you to continue those policies as they will assure even more foreign investment in the Chilean economy.

-- (Only if asked) We appreciate Chile's interest in pursuing a bilateral FTA with us. However, we are committed to working out an FTA with Mexico first and expect that process to take at least a year.

IRAQ

-- It is important for all countries to support the economic sanctions against Iraq. We are grateful for Chile's support, knowing that it represents a sacrifice for your country.

KENNEDY-HARKIN SANCTIONS (LETELIER CASE)

-- I hope that Chilean Government actions will allow those responsible for the murder of Letelier and Moffitt to be brought to justice. That would facilitate the return to full and normal relations between our two countries.

-- We look forward to final passage of the legislation that will transfer the Letelier case from military to civilian courts and to the appointment of a special investigating judge. While aware that you face some domestic opposition to ex gratia monetary compensation to the Letelier and Moffitt families, we hope that the Chilean Congress will also act positively in that aspect of the case.

DEMOCRACY AND HUMAN RIGHTS

-- We urge the Chilean government to become more involved with international efforts to advance the cause of human rights, especially in Latin America and in multilateral fora.

COMPENSATION FOR GRAPE LOSSES:

-- We regret that the Chilean fruit exporters perceive that their financial loss in 1989 was caused by FDA. We are convinced that FDA acted responsibly and had no choice but to take the action it did to protect the health of the American public. Further, FDA laboratories handled the samples professionally and used sound scientific means to analyze them.

  -- We understand that your government has been under increasing pressure from the exporters to conduct an independent investigation. We note that an independent GAO study is being done in response to a request by the U.S. Congress.

YOUR TRIP TO SOUTH AMERICA

-- I look forward to my trip to Chile in early December which will allow us to renew our conversation about the many important issues facing our countries.

PRESIDENT'S MEETING WITH
CHILEAN PRESIDENT PATRICIO AYLWIN
PARTICIPANTS

U.S.

The President
Secretary of State James A. Baker, III
Thomas R. Pickering, U.S. Ambassador to the United Nations
John Sununu, White House Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Assistant Secretary of State Bernard W. Aronson
Assistant Secretary of State J. R. Bolton
NSC Staff
Interpreter (Spanish)

Chile

President Patricio Aylwin
Foreign Minister Enrique Cimma Silva
Permanent Representative Juan Somavia
Ministry of Foreign Relations Director General Carlos Portales

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NSC/S PROFILE

RECORD ID: 9006388
RECEIVED: 08 AUG 90 09

CHRON FILE

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 11 OCT 90
SOURCE REF:

2

KEYWORDS: OAS
CARIBBEAN
LATIN AMERICA
HS

PERSONS: EINAUDI, LUIGI R

SUBJECT: REPLY TO LTR FM OAS SECGEN SOARES RE OAS DEBT CONVERSION FUND

ACTION: SEE 9006338 FOR FINAL ACTION DUE DATE: 11 AUG 90 STATUS: C

STAFF OFFICER: PRYCE LOGREF: 9006302 9006304

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION FOR CONCURRENCE FOR INFO

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 5/15/09

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NSC/S PROFILE

RECORD ID: 9006388
RECEIVED: 08 AUG 90 09

TO: BAENA SOARES, JOAO

CHRON FILE

FROM: PRESIDENT

DOC DATE: 12 OCT 90
SOURCE REF:

KEYWORDS: OAS
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SUBJECT: RESPONSE FM PRES RE 3 AUG LTR ON OAS FUNDING FOR LATIN AMER & CARIBBEAN

ACTION: PRES SGD LTR DUE DATE: 11 AUG 90 STATUS: C

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D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
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White House Guidelines
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NATIONAL SECURITY COUNCIL ID 9006388

REFERRAL DATE: 12 OCT 90

MEMORANDUM FOR: WH STRIPPING DESK

DOCUMENT DESCRIPTION: TO: BAENA SOARES, JOAO

SOURCE: PRESIDENT

DATE: 12 OCT 90

SUBJ: RESPONSE FM PRES RE 3 AUG LTR ON OAS FUNDING FOR LATIN AMER & CARIBBEAN

REQUIRED ACTION: FOR DISPATCH

DUEDATE: 12 OCT 90

COMMENT:

FOR GEORGE VAN ERON

DIRECTOR NSC SECRETARIAT

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02a. Letter	President Bush to Secretary General of the Organization of American States Joao Clemente Baena Soares (1 pp.)	10/12/90	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Date Closed:	5/15/2009	**OA/ID Number:**	91139-011
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
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(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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~~CONFIDENTIAL~~ ~~CONFIDENTIAL~~ 6338

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PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/24

THE WHITE HOUSE

WASHINGTON
October 11, 1990

90 OCT 11 AM 10:21

ACTION

SIGNED

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT BS for

SUBJECT: Your Reply to a Letter from OAS Secretary General Baena Soares Proposing an OAS Debt Conversion Fund

Purpose

To acknowledge the Secretary General's proposal as a creative new approach to financing the credit needs of the informal sector in Latin America, but to give a noncommittal response.

Background

OAS Secretary General Joao Clemente Baena Soares wrote you on August 3, 1990 to propose creation of an OAS debt conversion fund which would finance the credit needs of the informal sector -- the mostly cash, unregulated, untaxed part of the economy concentrated among the urban poor (Tab B). He proposes an authorized investment capital of $500 million. Similar letters were sent to Chiefs of State of all OAS member countries.

You have correctly noted that we have problems with this idea (Tab C), especially given our scarcity of resources. The fund would appear to duplicate some existing micro-enterprise credit programs of the Inter-American Development Bank and AID, and its relation to the Enterprise for the Americas Initiative is unclear.

Absolutely no preparatory work was done in the OAS concerning this proposal, and its drafter appears to have been a Brazilian former special assistant to Baena. Several OAS missions have confidentially expressed reservations to us, partly because they, like us, were not consulted in advance. Your reply at Tab A, which has been coordinated with the State Department and Treasury, says that you have asked Ambassador Luigi Einaudi to keep U.S. agencies informed on OAS discussions of the proposal. (State asked that we delay our reply so as not to be among the first to answer.)

RECOMMENDATION

That you sign the letter to OAS Secretary General Baena Soares at Tab A.

~~CONFIDENTIAL~~
Declassify on: OADR ~~CONFIDENTIAL~~

cc: Vice President
Chief of Staff

Attachments
Tab A Reply to Secretary General Baena Soares
Tab B Secretary General Baena Soares' Letter
Tab C Note to Scowcroft

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02c. Letter	OAS Secretary General Joao Clemente Baena Soares to President Bush (2 pp.)	8/3/90	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
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THE OAS FUND

I. Introduction

The economic crisis of the 1980s has left strong marks in Latin America and the Caribbean. The image of a "lost decade" in terms of economic development, even though a simplification, aptly summarizes the dismal economic performance of the region over this period. The dimensions of the crisis become even more appalling when one compares the economic performance of the region with that of the United States and Canada. In the case of the United States, for instance, the 1980s will be remembered as one of the longest periods of sustained economic growth of the post-World War II era. In short, from the point of view of the hemisphere, the last decade has been an experience in economic asymmetry.

It is interesting to point out that despite these divergent economic trends, this period was also characterized by the advent of democratically elected governments throughout the continent. This development, in which the OAS has been playing a relevant role, suggests that a process of political convergence in the hemisphere is under way. The challenge ahead is to create channels through which this emerging community of democratic states may pursue economic convergence as well.

The economic recuperation of the countries in Latin America and the Caribbean is an objective shared by all. An outward-oriented recovery of the economies of the region would reopen important markets to international trade. It is important to recognize that the above mentioned consensus transcends economic and financial considerations. In a world characterized by growing interdependence, the impact of other externalities of the ongoing crisis tends to grow over time. Environmental degradation, drug trade, and illegal migration are some of the paramount problems faced by the countries of the hemisphere right now. All of these problems have been magnified by the economic crisis and eventual solutions require that Latin American and Caribbean countries be successful in finding again their path toward sustained economic growth.

The experience accumulated through the painful adjustment attempts of the 1980s has served an important purpose, nonetheless. There is nowadays clear recognition that the path to recovery requires a more balanced sharing of the adjustment burden among all parties involved: debtor countries, creditor countries, multilateral agencies, and commercial banks. The concept of debt relief -- which was anathema a few years ago -- has become an important element of current efforts to manage the debt crisis, such as the Brady Plan. An additional step recently has been taken by President Bush in announcing the U.S. "Enterprise for the Americas" program, which explicitly expands the concept to official U.S. loans. This program, with its three

pillars (trade, investment, and debt initiatives), opens a new avenue for cooperation among the nations of the hemisphere.

In spite of these positive developments, a sense of urgency remains. The globalization of economic activities continues at a very fast pace, fostered by such technological developments, as the convergence of computer and telecommunications technologies. Globalization creates additional incentives for policy convergence among nations with respect not only to trade (in goods and services), but also capital flows, technology and intellectual property regulations. As global networks develop, the trade-off between the perceived benefits of independent policy-making and the costs of not being connected into these networks becomes steeper. For Latin America and the Caribbean, the capacity to "connect," however, has been significantly impaired by the deterioration of the region's investment capacity -- particularly in the case of the public sector. In other words, unless their rate of investment can be rapidly raised, Latin American and Caribbean countries will lag behind in sharing the benefits of the ongoing technological revolution.

Even if one adopts an optimistic view concerning the pace of economic recovery in the region, there is still cause for concern. One of the main by-products of the debt crisis has been the accelerated growth of informal activities in these economies. Some analysts even suggest that the resourcefulness of the urban poor in securing alternative income from the informal sector has played a major role in explaining the relatively low level of political unrest in the region in spite of all the economic hardship experienced. The growing importance of this economic "dualism" (formal versus informal sector), however, creates additional challenges for efficient policy-making in these economies. It is not clear that economic recovery **per se** will generate the conditions for "formalizing" these informal activities. Actually, there is a growing realization that if economic reform does not come together with institutional reform -- geared to simplify the tangles of regulations and to strengthen legal institutions --, this dualism is bound to continue.

To the extent that the informal sector will continue to be a major source of income for a significant portion of the labor-force in Latin America and the Caribbean in years to come, it is fundamental to address its needs. Failure to do so can not only introduce a socially skewed bias in the pattern of adjustment, but also, over the long run, endanger the very process of democratic political convergence mentioned above. It is against this backdrop that the OAS, in keeping with its objectives of promoting peace and security in the hemisphere, intends to establish the OAS Fund.

The OAS Fund would provide an additional instrument for debt relief, increasing the menu of options for debt management. In addition to that the resources of the fund will explicitly target clientele whose needs have not been properly addressed in conventional economic programs: individuals in the informal sector of economies in Latin America and the Caribbean.

II. A Development Crisis

The Causes of the Debt Crisis:

Most analysts tend to explain the economic crisis experienced by Latin America and the Caribbean as the result of a combination of external shocks (oil price increases, the deterioration of terms of trade, slow growth in the industrialized world in the early 1980s, the rise of international real interest rates) and domestic errors (public sector mismanagement, overborrowing, policy-induced capital flight, inward-oriented trade regimes). The weights assigned to external shocks and domestic errors in accounting for the crisis provide the main point of contention in the literature.

Those countries that made better use of borrowed resources and/or had more efficient fiscal policies and/or more outward-oriented development strategies fared better than others in the region. All of them, however, experienced a significant slowdown in the process of economic development, a result which suggests the major role played by the international macroeconomic environment in this crisis. The slowdown of the economies of member countries of the Organization for Economic Cooperation and Development (OECD) and the parallel deterioration in the terms of trade of the region, for instance, had a major negative impact on the current account of Latin American and Caribbean countries.

It is also recognized that negative real interest rates in the 1970s -- a strong inducement to overborrowing by less developed countries (LDCs) -- and their dramatic upswing in the early 1980s were major influences in shaping the foreign debt problem. The change from an inflationary environment to disinflation at the world level and, particularly, the unorthodox combination of a tight monetary policy coupled with fiscal expansion in the United States played an important role in explaining the abnormal behavior of real interest rates. Latin American and Caribbean countries had to begin their adjustment by the second semester of 1982, when private banks --in response to the Mexican debt servicing "moratorium" announced in August 1982 -- cut the flow of voluntary lending to the region.

The Four Phases of Debt Management:

At the outset of the debt crisis, the prevailing wisdom was that LDCs were confronting a liquidity crisis -- i.e., a short-

run cash-flow problem. One of the major concerns at that moment was the possibility of an international financial crisis sparked by the over-exposure of major commercial banks to Third World debt. Accordingly, debt management -- as understood by multilateral financial institutions and major industrial country governments -- should focus on the design of rescue packages.

These packages, negotiated on a case-by-case basis, would address the liquidity problem of LDCs and at the same time, create the incentives for the introduction of domestic austerity measures. Commercial debt was rescheduled and new money was offered with conditionality (requirements concerning the implementation of stabilization programs by highly-indebted countries -- HICs). The International Monetary Fund (IMF) played a leading role in this phase of the crisis.

Orthodox stabilization programs, centered on demand management (tight monetary policies and fiscal austerity) and real devaluation of the exchange rate, were applied all over Latin America and the Caribbean. Many countries also adopted debt-led commercial policies: export incentives coupled with import restrictions. The results were mixed.

On the external front, the countries of the region began to experience significant balance-of-trade surpluses as of 1983 -- averaging US$27,209 millions over 1983-88. Despite this dramatic transference of real resources to the rest of the world, the region continued to endure deficits in its current account, reflecting its heavy servicing commitments. Accordingly, its external debt continued to increase.

On the domestic front, recession did not bring inflation under control. In many countries of the region, generalized (formal or informal) indexation practices -- the result of a long-run coexistence with high inflation rates -- tended to subvert the usual path of stabilization. Real wage decline required acceleration of inflation. Therefore, several countries experienced the unfortunate mix of recession and inflation acceleration.

In spite of these adjustment efforts, the access to external savings did not improve. All "new money" offered by the private banks to the countries of the region -- most of it in the context of nonvoluntary negotiating packages -- was required to finance their interest bills. During the 1983-85 period, for instance, Latin American and Caribbean countries experienced an accumulated negative net transfer (disbursements of external loans minus interest and amortization payments on foreign debt) of approximately US$21.846 billion in favor of creditor countries.

As the region entered its third year of adjustment under conditionality, debt-fatigue had already become a familiar

expression. It was also clear by then that the debt crisis was more than a liquidity crisis. In September 1985, a new debt initiative was announced by then U.S. Treasury Secretary James A. Baker. The Baker Plan opened up a new phase in the history of the debt crisis.

Though the emphasis was still on the need for policy reform in debtor countries, the Baker initiative recognized that the foreign debt problem had evolved into a development crisis. Countries were expected to grow out of the crisis via structural adjustment programs designed to promote trade and investment liberalization, privatization, and public sector reform. Multilateral institutions -- particularly the IMF and the World Bank -- would provide not only technical guidance for these reforms, but also would increase their role in financing the HICs. Commercial banks, in turn, were expected to extend new lending of about US$20 billion over the 1986-88 period. It is worth mentioning that eleven of the seventeen countries identified as HICs belong to Latin America and the Caribbean.

The Baker Plan fell short of its target of reestablishing significant voluntary capital flows to HICs. New-money packages negotiated over 1986-88 by commercial banks amounted to no more than 64 % of the expected US$20 billion and were heavily concentrated in only three countries (Argentina, Brazil, and Mexico). Multilateral institutions also failed to accomplish their lending targets, particularly because of a large decrease in IMF net lending over this period. And the economic performance of the region continued to be sluggish, with its GDP growth rate averaging only 1.7 % per year.

Against this background, it is no surprise that the number of countries in the region falling behind in their debt payments continued to increase steadily: 7 in 1986, 11 in 1987, and 13 in 1988. The Brazilian partial moratorium announced in February 1987 added a new dimension to the crisis. In response to this development, U.S. commercial banks -- the largest private creditor group -- significantly increased their developing-country loan-loss reserves. The perceived erosion in the commitment of borrowers to austerity programs and the implicit recognition by commercial banks that part of developing-country debt eventually would have to be written-down sent secondary market prices of developing countries loans into a sharp decline. Accordingly, the volume of operations in the secondary market increased significantly from 1987 on.

Growing activity in the secondary debt market paved the way for the third phase in the history of debt crisis management. Building upon the Baker initiative, negotiations evolved in the direction of the so-called market-based "menu" approach. Financial packages involving debt-relief instruments (e.g., debt-equity conversions, buybacks, and exit bonds) began to be

negotiated. Voluntary bank participation was expected to replace the "concerted approach" based on nonvoluntary loans which had prevailed until then. Banks were offered a menu of options designed to match different interests in the banking community, while attending the financial needs of developing countries on a case-by-case basis. Banks willing to exit from new-money packages were offered this option in exchange for a certain degree of debt-relief.

The implementation of the menu approach, however, proved to be more difficult than expected. Only large debtors -- like Brazil and Argentina -- had the bargaining power to negotiate new-money packages under the aegis of the menu approach. And even in these cases, the agreements collapsed later on. The recognition of the limitations of voluntary debt relief, without direct involvement of creditor countries' governments and multilateral institutions, naturally led to proposals in favor of an expansion of the concept. Officially supported debt-relief proposals were presented by Japan's former finance minister, Kiichi Miyazawa, and France's President François Mitterrand during 1988. The proposal presented by U.S. Treasury Secretary Nicholas Brady in March 1989 served to reinforce this trend and its ongoing implementation marks the fourth phase of the debt crisis.

The Brady initiative maintains the case-by-case approach of the Baker plan as well as the emphasis on policy reform in the HICs. Debt relief is finally accepted as a necessary ingredient for a successful debt management strategy and multilateral institutions are expected to provide funding for debt and debt-service reduction. The amount of official support for debt relief over three years is estimated to reach approximately US$30 billion: US$24 billion would come from the IMF and the World Bank, while the Japanese Government would contribute US$6 billion. Creditor governments also are expected to review their tax, accounting, and regulatory provisions in order to eliminate eventual obstacles to the implementation of debt relief.

In Latin America and the Caribbean, Mexico and Costa Rica have already developed negotiations according to the Brady plan guidelines. It is still too early to evaluate how effective it has been in attenuating the debt crisis. There is no doubt, however, that the framework provided by the Brady initiative is a step in the right direction. The recently announced "Enterprise for the Americas" expands on this concept not only by supporting an active role for the Inter-American Development Bank in debt-relief programs, but also by opening up the possibility of debt reduction on existing U.S. concessional loans to Latin American and Caribbean countries.

Debt relief coupled with structural adjustment programs provide the best strategy for overcoming the debt crisis. Yet, it

is important to recognize that the path to the recovery of Latin American and Caribbean economies will not be an easy one. In most of these countries, the public sector is under heavy financial stress. Domestic stabilization typically will require further steps toward fiscal austerity. It is fundamental to provide mechanisms to ease the burden of this adjustment process upon the low-income population of the region, even more so because the capacity of governments to efficiently assist the poor amid stabilization efforts is an open question.

The OAS Fund is designed as an additional instrument to promote debt relief for Latin American and Caribbean countries. Of course, given its dimensions (see below), the fund will at best provide a marginal contribution to the ongoing process of debt crisis management. Its impact, however, can be quite significant both in economic and social terms to the extent that it is intended to address one of the most basic needs of the poor: access to credit.

III. The Importance of Microcredit Programs for the Informal Sector

The informal sector has been attracting a lot of attention lately. Once portrayed in a very negative light, as the realm of "marginals" who lacked the education and the skills to effectively participate in the modernization process experienced by developing economies, it has now achieved a much more positive (and sometimes idealized) image as the refuge of energetic entrepreneurs harassed by the tangles of government regulation. The relevant fact, however, is that the informal sector is responsible for a growing proportion of income and employment in developing economies. In Latin American and Caribbean countries, for instance, 20 to 50 % of all urban employment is related to informal sector activities.

There is no doubt that the economic crisis of the 1980s, by curtailing the expansion of job opportunities in the formal sector, has contributed to the significant expansion of informal sector activities observed in the region over the last decade. What is not clear is to what extent a process of economic recovery **per se** would be sufficient to reverse this situation in the short run. To the extent that these activities are important suppliers of goods and services to the poor, it seems that only a significant improvement in the income-distribution profile of Latin American and Caribbean countries would reverse the trend mentioned above. In short, the informal sector will continue to be the main source of income for a significant proportion of the poor in Latin America and the Caribbean in the years ahead.

Support for informal sector activities can be rationalized in different ways. Equity considerations and the fact that they provide channels for entrepreneurial training -- particularly for

women and the poor -- are often mentioned. It is enough, however, to remember that if these activities cannot sustain minimum income levels, a significant proportion of the population in the hemisphere will be condemned to live in extreme poverty.

One of the main obstacles to the expansion of informal sector activities, and as a consequence of a more effective participation of the poor in economic growth, is the lack of access to institutional credit. Over the last few decades, a series of original credit programs targeted to the poor have been developed by governments and nongovernmental organizations (NGOs). The Grameen Bank in Bangladesh, the Badan Kredit Kecamatan (BKK) in Indonesia, Accion International and its affiliated programs throughout Latin America and the Caribbean provide some of the best examples in this context.

The most successful among these programs are precisely those that have been able to minimize transaction costs and that do not offer subsidized loans. The lessons from these programs are clear: first, informal sector businesses can be a good credit risk due to their potential profitability; second, it is fundamental to minimize transaction and access costs in order to effectively attend the needs of these entrepreneurs.

The OAS intends to build upon these experiences to provide a new source of microcredit for those who work in the informal sector in Latin America and the Caribbean. The OAS Fund will open up the possibility of utilizing the leverage of the international financial market, via debt-conversion operations, to finance the needs of the poor in the hemisphere.

IV. The OAS Fund: A Proposal

The OAS Fund (the "Fund") would be organized as a specialized equity fund in the United States of America. The precise definition of its legal structure will be decided later. Commercial banks, financial institutions, foundations and other investors would be its subscribers. Limited partnership in the Fund would be acquired with titles of foreign debt of OAS Member Countries or with cash to be used in the acquisition of debt titles via the secondary market for foreign debt.

The Fund authorized investment capital could be defined as the equivalent to US$500 million. In order to raise this capital the Fund would offer up to one thousand Units, each one with a face value of US$500,000. Investors could use titles of foreign debt of member countries to buy these Units, with the secondary market price of the debt providing guidance for the terms of exchange. The Fund would have an expected operational life of 20 years.

The Fund would organize affiliates in the member countries represented in its portfolio to act as its intermediaries. The Fund would redeem the acquired external debt obligations in local currency, according to conversion rules negotiated with the member country. A small part of these resources would be used to finance the supervision of the Fund's affiliates. The rest would be transferred to the affiliates which would use the resources to make loans at market rates to micro-entrepreneurs in the informal sector. The results obtained by these affiliates would be re-invested in new operations until the Fund's liquidation.

At the Fund's liquidation, the resources invested via the affiliates as well as related profits would be converted into U.S. dollars via the Central Bank of participant countries. These proceeds would be employed to repurchase the Units from the subscribers. The repurchase procedure could be designed to take into account the performance of the affiliates capitalized with debt titles of the limited partner.

Although no assurance can be ex ante provided with respect to the long-term appreciation of the Fund's portfolio, the experience of organizations such as Accion International and the Badan Kredit Kecamatan underscore the financial feasibility of providing credit to the poor.

6388

THE WHITE HOUSE
WASHINGTON

DATE: 8-10-90

FROM THE PRESIDENT

TO: Brent

I assume we will have problems with OAS Fund?

Right _____ Wrong _____

GY

Do memo to Pres.

United States Department of State

Washington, D.C. 20520

6388

August 17, 1990

9017494

MEMORANDUM FOR BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Suggested Reply to Letter of OAS Secretary General Baena Soares Proposing Creation of OAS Debt Conversion Fund

OAS Secretary General Joao Clemente Baena Soares has requested the support of President Bush for a proposal to create a $500 million OAS Debt Conversion Fund aimed at addressing the credit needs of informal sector micro-entrepreneurs throughout Latin America and the Caribbean.

He sent the same request to the Chiefs of State of all OAS member countries.

The OAS Fund proposal may be a creative new approach, but there are fundamental questions. How the OAS Fund would fit into the Enterprise for the Americas initiative is unclear. The Fund would appear to duplicate some existing micro-enterprise credit programs of the Inter-American Development Bank and the Agency for International Development. In addition, several Latin American and Caribbean permanent missions to the OAS have confidentially expressed reservations to us, partly because they, like us, were not consulted in advance.

We consider it premature for the President to address Baena's proposal substantively. We recommend a non-committal interim response.

R. A. LaMantia for
J. Stapleton Roy
Executive Secretary

Attachments:
1. Suggested reply
2. Incoming correspondence

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02f. Draft Letter	Re: State Department Suggested Reply to OAS Secretary General Joao Clemente Baena Soares (1 pp.)	n.d.	(b)(1)	

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9017494

United States Department of State

Washington, D.C. 20520

August 7, 1990

MEMORANDUM FOR: Mr. William F. Sittmann
Executive Secretary
National Security Council Staff
The White House

SUBJECT: Alerting NSCS on Presidential Correspondence

Enclosed is the original of a letter to President Bush from OAS Secretary General Joao Clemente Baena Soares which is transmitted for your information.

This correspondence was received in the Information Resources Management Section of the Executive Secretariat on August 7, 1990 A copy has been assigned to the appropriate bureau for action.

for

Director, S/S-IRM
Information Resources Management Section
Executive Secretariat
647-2991

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02g. Draft Letter	President Bush to OAS Secretary General Joao Clemente Baena Soares (1 pp.)	n.d.	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Date Closed:	5/15/2009	**OA/ID Number:**	91139-011
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

United States Department of State

United States Permanent Mission to the Organization of American States
FAX: 647-0911
Washington, D. C. 20520

DATE 10/2

FACSIMILE TRANSMISSION COVER SHEET

TRANSMITTED TO: DAVID PACELLI

NSC
(ORGANIZATION)

(9) 395-6926
(FAX NUMBER)

395-3860
(TELEPHONE NUMBER)

TRANSMITTED FROM: JIM REILLY
(ORGANIZATION/NAME)

647-9482
(TELEPHONE NUMBER)

PAGES BEING SENT: 1 (DO NOT COUNT THIS COVER SHEET AS A PAGE)

Withdrawal/Redaction Sheet
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P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

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(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

National Security Council
The White House

PROOFED BY: _____ LOG # 6338

URGENT NOT PROOFED: _____ SYSTEM (PRS) NSC INT

BYPASSED WW DESK: _____ DOCLOG 24 A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill			
Bill Sittmann	9		Review
Bob Gates			
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	10		D
NSC Secretariat	11	DAD 10/12	D

90 OCT 12 A8:55 RECEIVED

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____ (Date/Time)

COMMENTS Date Oct 12, 1990

DISPATCH INSTRUCTIONS:

P Reply to OAS Secretary Gen re – Debt Conv Proposal

National Security Council
The White House

FE 7 C

PROOFED BY: [illegible]
URGENT NOT PROOFED: _____
BYPASSED WW DESK: _____

LOG # 6336
SYSTEM (PRS) NSC INT
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	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	~~5~~		A
Bill Sittmann	6	W	
Bob Gates	7	✓	
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	8	24.10/11	
NSC Secretariat			

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____ (Date/Time)

COMMENTS

V corrected

DISPATCH INSTRUCTIONS:
Mail out via ~~State Dept~~ courier.
Exec Sec's Ofc has diskette

RECEIVED
90 OCT 17 P7:12

P Reply to ORS Scowcroft re Debt conversion

National Security Council
The White House

PROOFED BY: MEN LOG # 6388

URGENT NOT PROOFED: _____ SYSTEM (PRS) NSC INT

BYPASSED WW DESK: _____ DOCLOG DAD A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	1	KH	A
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Bob Gates			
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	3	8/29 K	D
NSC Secretariat	4	✓	FFA

FILED 90 AUG 22 P4:17

Return to Secretariat

Re-do Dup 10/5/90

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____ (Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS:

Exec Sec office has diskette

~~CONFIDENTIAL~~
NSC/S PROFILE

RECORD ID: 9008135
RECEIVED: 12 OCT 90 10

TO: SCOWCROFT

CHRON FILE

2

FROM: JOHNSON
PRYCE
DEAL

DOC DATE: 12 OCT 90
SOURCE REF:

KEYWORDS: LATIN AMERICA ECONOMICS
INTL TRADE

PERSONS: ROCKEFELLER, DAVID

SUBJECT: ENTERPRISE FOR AMERICAS INITIATIVE - PROGRESS & PROBLEM AREAS

ACTION: ORIGINALS RETURNED TO NSC/S DUE DATE: 16 OCT 90 STATUS: C

STAFF OFFICER: JOHNSON LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		DEAL
		GANTT
		JOHNSON
		NSC CHRON
		PRYCE

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 5/15/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSLMS CLOSED BY: NSMEM DOC 1 OF 1

~~CONFIDENTIAL~~

Enterprise for Americas Initiative — Progress / Problems

National Security Council
The White House

PROOFED BY: LMS LOG # 8135

URGENT NOT PROOFED: _____ SYSTEM PRS NSC INT

BYPASSED WW DESK: _____ DOC LOG AM A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	~~3~~		~~A~~
Bill Sittmann	1	W	A
Bob Gates	2	8	
Brent Scowcroft	3		
Bill Sittmann	APNSA Has Seen		
Situation Room			
West Wing Desk	4	AM 7/18	R
NSC Secretariat	5		N

RECEIVED 90 JUL 12 P5:25

A = Action | I = Information | D = Dispatch | R = Retain | N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____ (Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS:

Leo

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/24

October 12, 1990

fred memo.

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: WILLIAM T. PRYCE/TIM ~~DEAL~~

FROM: DONALD C. JOHNSON

SUBJECT: Enterprise for the Americas Initiative -- Progress and Problem Areas

The Good News

The Enterprise for the Americas initiative was prompted by our desire and commitment to have a coherent, long-range, and well balanced political and economic policy toward Latin America. With Central America no longer dominating our attention to the region or poisoning domestic debate, and in recognition of the changes in the strategic relationship with the Soviets, we sought to craft a post-Cold War policy for our relations with this hemisphere.

The President's proposal came at a moment when the Latin American and Caribbean leaders were eager to be reassured of the President's commitment to long-term engagement with the region, and evoked both relief and excitement. It came at a moment when the larger countries were in transition to more dynamic leadership (Collor in Brazil, Aylwin in Chile, Gaviria in Colombia) which has been willing to jettison old economic dogma.

The first months of the President's initiative have been an outstanding success. For the first time in years, we now have a coherent political and economic policy for Latin America and the Caribbean that is welcomed by the region. We have (a) set in motion the negotiations for a free trade agreement with Mexico, while at the same time making a commitment not to saw off the rest of the continent at the Isthmus of Tehuantepec; (b) translated our free trade commitment into action, with bilateral framework agreements completed with Colombia, Ecuador and Chile; (c) drafted and introduced in Congress implementing legislation for the Enterprise for the Americas, and working hard for passage this session, if possible; (d) drafted and introduced in Congress implementing legislation for a special trade preference for the Andean nations, to follow up on the Cartagena Summit commitment;

and (e) served notice on our Houston Summit partners that we will be looking to them for resources to help this hemisphere consolidate the gains of democracy.

This policy has credibility in Latin America and the Caribbean. It has revitalized and refreshed our dialogue. Hemispheric leaders acknowledge that we are addressing issues other than Nicaragua, El Salvador, and drugs. They are genuinely looking forward to the President's trips in November/December. Among Latin American and Caribbean leaders, President Bush is the most popular U.S. President in recent memory.

Problem Areas

However, because the Enterprise initiative has been so well received, we are unusually sensitive to problems that might undermine it. At the one hundred day mark, we see three actual or potential trouble areas: (a) lack of publicity at home, (b) the lack of a quarterback for the whole operation, and (c) a competing State Department initiative.

On the issue of publicity at home, David Rockefeller's recent letter (Tab C) hits the nail on the head. We are in the ironic position of having Latin Americans know more about the President's initiative than most Americans do. People on our southern border may be aware of the FTA proposal for Mexico, but most have no idea that the FTA fits into a larger strategy of engagement with this hemisphere. Domestically, our Hispanic audience is not being made aware of the President's activism with Latin America.

Should involve donation side of White House.

Publicity should be the problem area easiest to fix. The President's trips to Mexico and South America offer excellent opportunities to do so, and we need State and Treasury to begin working together to develop and implement a public relations strategy for the Enterprise and the trips. Op-ed pieces, backgrounders with U.S. and Latin American press, TV analysis programs, and seminars on EAI can and should be prepared.

This leads into the second problem area, and that is the lack of a quarterback coordinating the entire policy. State, which is weak on the economic side, played a peripheral role in the development of the Enterprise for the Americas (admittedly because of Treasury's reluctance to involve State in the debt and environment aspects) as well as the Andean initiatives. Treasury, which developed the debt/environment portions of EAI, has been eager to promote this aspect of the initiative, and has taken the ball and run with it on the Hill. USTR, meanwhile, has been working hard on the bilateral framework agreements, but resisting mightily any efforts to open discussion on FTA's after Mexico (e.g., with respect to Chile).

Partly because there is no quarterback, and partly because it sees Treasury running such a large chunk of the EAI program, State has been pushing a special G-24 mechanism for Central America. The genesis of the G-24 idea was apparently an informal discussion between Secretary Baker and the President (without any staff work that we are aware of), during which the President made a favorable response. State has interpreted this conversation as full backing for the proposal, and continues to talk it up in discussions with our allies.

As the cable from Tokyo (at Tab B) indicates, this has caused some confusion. The Japanese have come to the conclusion that G-24 is essentially a competing policy proposal, and they are telling us that they will sit on the sidelines on both EAI and G-24 until they get a clearer idea of where each proposal fits.

The fundamental problem with the G-24 idea, as we see it, is that it suggests that we will seek European/Japanese financial contributions to a fund in addition to what we are already seeking for the EAI Investment Fund. Having only recently gone through their pockets for money for the Gulf peace-keeping effort, and with our own foreign policy budget for Central America almost certainly going to drop, yet another effort to extract resources from our allies has very limited prospects for success. Furthermore, if we push it too hard, we may end up missing the chance to get the investment support funds we are seeking under EAI. There are also unresolved problems of how the G-24 idea fit in with existing World Bank consultative mechanisms, which concerns Treasury. As we informed you previously (Tab A), State has refused to hold an inter-agency meeting to work out conceptual problems.

Possible Actions

We believe the bureaucratic jockeying over the G-24 idea needs to be put under control fairly quickly. Given the resource-poor environment in which we are operating, it seems to us that G-24 can only prosper if it is blended in with EAI. The Central Americans have indicated that they are interested in G-24 only if it produces more resources for them. We do not want to hold out false hopes for additional resources if these resources will not be forthcoming.

The G-24 proposal could yield positive results if we structure it as an effort to maintain the flow of development money to Central America, and seek to maximize the impact of the money that does go there. Furthermore, we can use G-24 as a vehicle to steer investment money to the area and to promote EAI debt reduction and environmental protection. As a separate, competing initiative, however, it will detract from the President's EAI.

We are fully aware of the bureaucratic competition that makes rational decision-making models difficult to implement. In the case of EAI, we risk disappointing ourselves and the rest of the hemisphere if we cannot follow through. To improve coordination, we have considered the possibility of the President naming a special high-level person to work on this for a year or two to make certain that EAI achieves its full potential. At the very least, however, we need a periodic injection of high-level attention, to keep the EAI on track.

RECOMMENDATIONS

That you draw on this memo to brief the President at an appropriate opportunity.

That you raise these issues directly with Secretary Baker and Secretary Brady (we can provide talking points for this).

Approve (B) Disapprove _____

"Into the jaws of death rode the Six Hundred"

Attachments
Tab A G-24 Package
Tab B Cable from Tokyo on G-24
Tab C Letter from David Rockefeller to the President

TAB A

~~CONFIDENTIAL~~ ~~CONFIDENTIAL~~ 6956
Re-Do

COPY

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 11, 1990

Natl Sec Advisor has seen

ACTION

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/21

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: WILLIAM T. ~~BRYCE~~/TIM DEAL

FROM: DAVID A. PACELLI/MEG LUNDSAGER

SUBJECT: Eagleburger Memorandum on Multilateral Assistance to Central America

Attached at Tab I is a memorandum to you from Deputy Secretary of State Lawrence Eagleburger which provides a copy of a concept paper outlining plans for a G-24 mechanism for Central America and a copy of a memo which he sent to Treasury Deputy Secretary John Robson on the initiative. He says that he hopes that the memo and his call to Robson will be enough to enlist Treasury's support for the plan, but he may have to ask you to step in to push the matter forward. (We have learned that he had not called Robson as of September 10.)

As you may recall, this G-24 idea for Central America has had a troubled history. Secretary Baker apparently floated the idea by the President sometime in May and gained his approval. State then informed the agencies (and us) of this at a very difficult NSC/PCC meeting, and was quite put off when it met with resistance, particularly from Treasury. Nevertheless, Secretary Baker surfaced the idea at the Central American summit which he attended in Guatemala in June, saying we would work out the details later. State representatives also discussed it at the Rome donors conference for Nicaragua later that month. The Central Americans have emphasized that they would view the idea positively only if it means that they will receive additional resources.

After this initial flurry of activity, nothing further has been done to shape either a USG consensus on the proposal or to gain international support. State showed no interest in a follow-up PCC meeting, preferring to deal with this at a higher level. Eagleburger's memo to Robson therefore comes out of the blue, and it is so sketchy that it is unlikely to resolve any of Treasury's doubts.

We believe that the proposal should be fleshed out in an interagency meeting at the working level. (We have so informed State, but it has made no commitment.) Note, for example, that

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Declassify on: OADR

~~CONFIDENTIAL~~

the concept paper makes no mention of how this fits in with the President's Enterprise for the Americas Initiative or its relationship to the regional strategy on Central America which Secretary Baker recently sent to the President. It tacks on a whole new section on working with the Europeans to strengthen democratic institutions, without giving any specifics on how this would work. Finally, it does not even refer to the multilateral fund idea which is only casually mentioned in the regional strategy.

If Secretary Eagleburger approaches you with a complaint about Treasury's intransigence, we recommend that you coax him to have this idea fully worked out using normal interagency procedures.

RECOMMENDATION

That you use the Points to be Made at Tab I if Secretary Eagleburger calls you to enlist your support for the initiative.

Approve ✓ Disapprove _____

Attachments
Tab I Points to be Made
Tab II Eagleburger Memorandum to Scowcroft

POINTS TO BE MADE FOR POSSIBLE TELEPHONE CALL FROM DEPUTY SECRETARY OF STATE EAGLEBURGER

-- The Partnership for Democracy and Development in Central America idea has potential. I agree that we need to get the Europeans and Japan involved in encouraging economic reform, strengthening democratic institutions, and looking for ways to channel additional resources.

-- Nevertheless, it seems to me that the best way to resolve any differences that Treasury has is to first tackle it in a PCC meeting or a meeting at the DAS level.

-- I know that State has put some energy into this idea, but your people really haven't made much of an effort to develop an interagency consensus, and that is where the problem lies. My staff tells me that the idea has been virtually unheard of since the meetings on it in June.

-- Moreover, it seems to me that the concept paper needs to be fleshed out with details on just how we think this plan will work.

-- I don't think this would take much time, but it will make for a better product.

-- Having done that, I don't think there will be a need to speak to John Robson. But I would be happy to discuss this idea with you and John later if the differences can't be resolved.

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PER NSC WAIVER, ISOO 2021-09
By SS NARA, Date 3/1/24

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NSC/S PROFILE

SUBJECT

RECORD # 9006956
RECEIVED: 01 SEP 90 11

TO: SCOWCROFT

→ Central America

FROM: PACELLI
LUNDSAGER
PRYCE

COPY

DOC DATE: 11 SEP 90
SOURCE REF:

KEYWORDS: CENTRAL AMERICA ECONOMIC ASSISTANCE

PERSONS: ROBSON, J

SUBJECT: EAGLEBURGER MEMO ON MULTILATERAL ASSISTANCE TO CENTRAL AMER

ACTION: SCOWCROFT APPROVED RECOM DUE DATE: 05 SEP 90 STATUS: C

STAFF OFFICER: PACELLI LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO
LUNDSAGER
NSC CHRON
PACELLI

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cop NARA, Date 5/15/09

COMMENTS:

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OPENED BY: NSGAD CLOSED BY: NSGLM DOC 3 OF 3

~~CONFIDENTIAL~~

9019245

THE DEPUTY SECRETARY OF STATE

WASHINGTON

August 31, 1990

MEMORANDUM FOR GENERAL BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Multilateral Assistance to Central America

Attached is a letter from me to John Robson on the new multilateral assistance effort for Central America that you and I have talked about previously. I am hoping that this letter and a subsequent telephone call to John will be sufficient in getting Treasury on board for this initiative. However, if that does not work, I may have to ask you to step in to push the matter forward, as we will need to launch this initiative in early September.

Lawrence S. Eagleburger

Attachment:
As stated.

THE DEPUTY SECRETARY OF STATE

WASHINGTON

August 31, 1990

Dear John:

Enclosed is a copy of a Concept Paper for a "Partnership for Democracy and Development in Central America", or PDD. As you may recall, the idea grew out of the April 23 meeting between Secretary Baker and EC President Jacques Delors. Following discussions with President Bush, the Secretary presented the concept to the six Central American Presidents in June and to the G-24 ministerial in July. The idea received positive responses, and we are ready to move forward with it as soon as possible.

The Concept Paper is designed to serve as a skeletal framework for a multilateral partnership which would bring together the industrialized countries of Europe, Japan, and the Americas in support of the countries participating in the Central American peace process. It would build on and enhance the existing consultative group mechanisms of the international financial institutions.

I would appreciate your looking over this paper. I will call you in the near future to discuss it further and would welcome your comments. We certainly intend to work closely with you in this effort and look forward to having Treasury's support.

Sincerely,

Larry

Lawrence S. Eagleburger

Enclosure:

Concept Paper

The Honorable
John E. Robson,
Deputy Secretary of the Treasury,
Washington, D.C.

CONCEPT PAPER

A PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA

In fulfillment of the promise of the Esquipulas Accords, all the countries of Central America have established democratic governments and are moving toward market-oriented economies. As agreed at their June summit in Antigua, Guatemala, the leaders of Central America firmly support the goals of democracy, development, and demilitarization.

The convergence of political and economic goals provides the basis for a partnership in support of Central America's commitment to strengthening democratic institutions and market based economic policies. The Partnership for Democracy and Development (PDD) would bring together the industrialized countries of Europe, Japan, and the Americas in support of the development of those countries participating in the Central American peace process -- Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. This effort might later extend to include Belize.

The countries participating in the Partnership would meet together to review and encourage the major economic reform process underway in all the countries of Central America and to coordinate efforts to assist the region economically and commercially. Partnership efforts to sustain and broaden support for the region would be undertaken in close coordination with the World Bank/Inter-American Development Bank consultative groups. The Partnership would review needs assessments, help monitor regional projects, and consider economic and financial issues raised by the consultative groups.

At the Antigua Summit, the Central American Presidents identified the path to growth and development as increased trade and investment and strengthening outward-looking regional integration. The Partnership would provide a forum for participating countries to discuss and coordinate regional economic and trade policies, regional integration efforts, and investment policies and opportunities.

The Partnership would work to assist Central Americans to meet commitments, made in the Esquipulas Process, to strengthen democratic institutions, promote and protect human rights, and encourage national reconciliation. The PDD could establish a working group to coordinate efforts in support of democratic political development. Participating countries would coordinate and increase their support to democratic institutions and procedures, including free and fair elections, free speech and free press, respect for human rights, the administration of justice, and the rule of law.

As recognized in the Antigua Declaration, Central America has paid a high price for conflict, political violence, and arms buildups. The Esquipulas Process set forth principles for peace based on democracy and national reconciliation. The Central American Presidents stated in the Antigua declaration their willingness to redirect resources away from war and toward economic and social development. The Partnership would explore opportunities for assistance programs to Central America in support of increased civilian control over military and police institutions, and the reincorporation into civilian life of those leaving the military forces.

The Partnership would convene periodic meetings at the senior experts level with representatives from Central America, all interested industrialized countries of Europe, Japan, and the Americas (including Mexico, Venezuela, and Colombia, as participants in the San Jose Accords). These meetings would be the primary forum for work and decision making within the Partnership. It is also anticipated that there could be an annual ministerial-level meeting. The United States is prepared to provide the logistical support to coordinate the PDD's work, particularly for the initial meetings. The Partnership could also draw on technical and administrative support from the international financial institutions. Meetings could be hosted by regional and non-regional countries.

The agenda for an initial meeting of senior experts could include discussion of the objectives of the Partnership, consideration of creating a clearinghouse for information on assistance programs and activities in support of democracy and development, and consideration of organizing working groups on a limited number of issues.

TAB B

<DISTRIBUTION ...

<PREC> PRIORITY<CLAS> ~~CONFIDENTIAL~~<OSRI> RUEHKO<DTG> 0908

<ORIG>FM AMEMBASSY TOKYO
<TO>TO RUEHC/SECSTATE WASHDC PRIORITY 7979
RUEATRS/TREASURY DEPT WASHDC PRIORITY
RUCPDC/USDOC WASHDC PRIORITY

<SUBJ>SUBJECT: U.S.-JAPAN CONSULTATIONS ON LATIN AMERICA: MOFA PERPLEXED ABOUT U.S. DEVELOPMENT STRATEGY

<TEXT>
~~C O N F I D E N T I A L~~ SECTION 01 OF 02 TOKYO 18394
TREASURY FOR OASIA D. TEMPLEMAN
USDOC FOR 4410/ITA/IEP/EAP/OJ
ALSO FOR USAID
STATE PLEASE PASS ALL LATIN POSTS
E.O.12356: DECL:OADR
TAGS: PREL, EAID, JA, XM
SUBJECT: U.S.-JAPAN CONSULTATIONS ON LATIN AMERICA: MOFA PERPLEXED ABOUT U.S. DEVELOPMENT STRATEGY
REF: A) STATE 326344; B) STATE 326345; C) STATE 329659
1. ~~CONFIDENTIAL~~ -- ENTIRE TEXT.
2. ALTHOUGH MOFA OFFICIALS LAUD THE SEPTEMBER 17 U.S.-JAPAN CONSULTATIONS ON LATIN AMERICA, THEY HAVE CONCERNS ABOUT U.S. ECONOMIC ASSISTANCE STRATEGY FOR THE REGION. MOFA OFFICIALS VIEW THE G-24-TYPE PROCESS FOR CENTRAL AMERICA AND THE ENTERPRISE FOR THE AMERICAS INITIATIVE AS DRIVEN BY COMPETING U.S. BUREAUCRATIC INTERESTS AND AS NOT NECESSARILY COMPATIBLE. THEY REQUEST MORE CONCRETE INFORMATION ON THE PROGRAMS, AND ON WHERE WE GO FROM HERE. END SUMMARY.

BROAD AGREEMENT ON PRIORITIES

3. MOFA FIRST LATIN AMERICA DIVISION DEPUTY DIRECTOR ISOBE, WHOSE OFFICE COORDINATED MOFA'S PARTICIPATION IN THE U.S.-JAPAN CONSULTATIONS, PRAISED THE SEPTEMBER 7 MEETINGS AND SAID HE HOPED THAT THEY WOULD BE "MORE FREQUENT." WHILE ISOBE SAID THAT "NO NEW ELEMENTS" EMERGED IN THE TALKS, HE EXPRESSED SATISFACTION THAT U.S. AND JAPANESE PERSPECTIVES AND POLICIES ON LATIN

Z

AMERICA HAD APPEARED TO BE ALMOST UNIFORM.

4. SUBSEQUENTLY, SECOND LATIN AMERICA DIVISION DEPUTY DIRECTOR FUKUSHIMA TOLD POLOFF THAT THE MEETINGS WERE "SUCCESSFUL" BECAUSE THEY INVOLVED "FRANK EXCHANGES." IT ALSO HELPED THAT BOTH SIDES "AGREED ON VIRTUALLY EVERYTHING," FUKUSHIMA SAID. POLOFF SAID U.S. PARTICIPANTS CAME AWAY WITH THE IMPRESSION THAT JAPAN WOULD FOCUS ITS EFFORTS ON COSTA RICA, CHILE, NICARAGUA AND PERU (REF B), AND ASKED FOR FUKUSHIMA'S COMMENTS. FUKUSHIMA SAID THAT THE FOCUS IS ACTUALLY BROADER. HE CONFIDED THAT, DURING PREPARATORY MOFA MEETINGS FOR THE CONSULTATIONS, SEKI TOLD HIS STAFF THAT JAPAN WOULD FOCUS ON FIVE COUNTRIES THAT WERE MOVING IN THE RIGHT DIRECTION ECONOMICALLY -- MEXICO, BOLIVIA, CHILE, COSTA RICA AND COLOMBIA -- AND FOUR THAT WERE IMPORTANT POLITICALLY -- NICARAGUA, PANAMA, PERU AND BRAZIL.

MOFA WANTS DETAILS ON G-24 VERSUS EAI

5. ISOBE SAID MOFA IS "STILL UNABLE TO UNDERSTAND" THE RELATIONSHIP BETWEEN THE G-24-TYPE PROCESS FOR CENTRAL AMERICA AND THE ENTERPRISE FOR THE AMERICAS INITIATIVE (EAI). ISOBE SAID MOFA WENT INTO THE TALKS

DECLASSIFIED
PER DOS WAIVER, November 6, 2015
By SS NARA, Date 3/1/24

DIFFERENT DEPARTMENTS OF THE U.S. GOVERNMENT -- G-24 BY STATE AND EAI BY TREASURY. HE ADDED THAT MOFA PARTICIPANTS ASSUMED THESE WOULD BE MERGED INTO A COMPREHENSIVE PACKAGE, AND THAT THIS WOULD BE CLEARED UP DURING THE CONSULTATIONS. THEREFORE, MOFA PARTICIPANTS WERE "SURPRISED" WHEN A/S ARONSON, RESPONDING TO AN INQUIRY FROM SEKI, SAID THAT THESE TWO PROGRAMS WOULD BE KEPT DISTINCT.

5. AS BACKGROUND, ISOBE SAID THAT IT BECAME "DIFFICULT" FOR MOFA TO GET CLEAR, COMPREHENSIVE INFORMATION ON U.S. DEVELOPMENT STRATEGY TOWARD LATIN AMERICA FOLLOWING THE JULY SUMMIT. THIS STEMMED FROM THE SUMMIT AGREEMENT THAT THE G-7 "DEPUTIES" WOULD FOLLOW-UP ON THE EAI, WHICH IN EFFECT ESTABLISHED A FINANCE MINISTRYTREASURY DEPARTMENT CHANNEL WHICH

~~C O N F I D E N T I A L~~ SECTION 02 OF 02 TOKYO 18394

TREASURY FOR OASIA D. TEMPLEMAN
USDOC FOR 4410/ITA/IEP/EAP/OJ
ALSO FOR USAID
STATE PLEASE PASS ALL LATIN POSTS
E.O.12356: DECL:OADR
TAGS: PREL, EAID, JA, XM
SUBJECT: U.S.-JAPAN CONSULTATIONS ON LATIN AMERICA:

BYPASSED MOFA (AND, IMPLICITLY, STATE). THEREFORE, "WE DIDN'T KNOW WHAT TO DO," ISOBE SAID. DURING AN AUGUST MOFA PREPARATORY MEETING FOR THE BILATERAL CONSULTATIONS, MOFA'S ECONOMIC COOPERATION BUREAU ASKED WHETHER G-24 OR EAI WAS "MORE IMPORTANT" TO THE U.S. AND SHOULD THEREFORE DEMAND GOJ ATTENTION. THE LATIN AMERICAN BUREAU RESPONDED THAT, SINCE THIS WAS UNCLEAR, BOTH MUST BE PURSUED. THE ECONOMIC COOPERATION BUREAU SAID THIS WAS "NOT ACCEPTABLE," ACCORDING TO ISOBE, AND DEMANDED THAT THIS POINT BE CLARIFIED DURING THE CONSULTATIONS.

6. ISOBE SAID THAT IF BOTH INITIATIVES ARE TO BE PURSUED SIMULTANEOUSLY, MOFA WOULD APPRECIATE "MUCH MORE CONCRETE INFORMATION" ON THE EXACT MECHANISMS, THEIR RELATIONSHIP, AND HOW BEST TO PROCEED. EMPHASIZING THAT HE WAS SPEAKING PERSONALLY, ISOBE SAID HE HOPED THE U.S. WOULD NOT EXCLUDE A UNIFIED APPROACH BECAUSE THIS WOULD MAKE IT EASIER FOR THE LATIN AMERICA BUREAU TO GENERATE POSITIVE BUREAUCRATIC MOMENTUM WITHIN MOFA AND WITH MOF.

7. FUKUSHIMA TOLD POLOFF THAT THE G-24 CONCEPT "SEEMED TO DISAPPEAR" AFTER THE HOUSTON SUMMIT. ALSO, CONSIDERING EUROPEAN HESITATION, IT WAS "NOT CLEAR" THAT G-24 WOULD "SURVIVE" INDEPENDENTLY, FUKUSHIMA SAID. HE NOTED THAT JAPAN "RESPONDED VERY POSITIVELY" TO THE G-24 PROPOSAL WHEN IT WAS PROMULGATED IN APRIL. NOW, HE SAID, HALF A YEAR HAS PASSED SINCE JAPAN COMMENTED ON THE PROPOSAL, AND THERE HAS BEEN "NO RESPONSE" FROM THE U.S. "WE WANTED AN OVERALL SCHEME" TO INCREASE ECONOMIC ASSISTANCE TO LATIN AMERICA, FUKUSHIMA SAID, SINCE THIS WOULD MAKE IT "EASIER TO COOPERATE." DURING THE CONSULTATIONS, A/S ARONSON TOLD SEKI THAT THE U.S. WILL CONTINUE TO PURSUE G-24 PARALLEL TO EAI, FUKUSHIMA SAID. HOWEVER, SEKI CAME AWAY WITH THE IMPRESSION THAT A/S ARONSON HAD RESPONDED "VAGUELY" ON THE DETAILS OF HOW G-24 WOULD BE PURSUED. FUKUSHIMA TOLD POLOFF THAT, FOLLOWING THE CONSULTATIONS, LATIN AMERICA DEPUTY DIRECTOR GENERAL TANAKA AND FIRST LATIN AMERICA DIVISION DIRECTOR KOJIMA IN PARTICULAR EXPRESSED "SURPRISE" BECAUSE THEY THOUGHT G-24 AND EAI WOULD SURELY BE COMBINED.

SURPRISED AND DISAPPOINTED TO LEARN AT THE CONSULTATIONS THAT THE G-24-TYPE MECHANISM FOR CENTRAL AMERICA AND THE ENTERPRISE FOR THE AMERICAS INITIATIVE WILL NOT BE MERGED INTO A COMPREHENSIVE PROGRAM. THE GOJ HAS GIVEN STRONG INDICATIONS OF WILLINGNESS TO PROVIDE INCREASED ASSISTANCE TO LATIN AMERICA IN A MULTILATERAL FRAMEWORK, BUT IS NOW AT SOMEWHAT OF A LOSS ON HOW TO PROCEED AND SEEMS TO BE SETTLING INTO A "WAIT AND SEE" MODE. PROVIDING MOFA WITH A DETAILED EXPLANATION OF U.S. CONCEPTS FOR BOTH PROGRAMS, ON HOW THEY ARE INTERRELATED, AND ON A STRATEGY FOR IMPLEMENTING THEM WOULD GO A LONG WAY TOWARD BRINGING THE GOJ INTO A MORE ACTIVE POSTURE.
ARMACOST

<SECT>SECTION: 01 OF 02<SSN> 8394<STOR> 901009043515 MSG000276755715
<SECT>SECTION: 02 OF 02<SSN> 8394<STOR> 901009043547 MSG000276755747
<TOR>901009044708

TAB C

[redacted]

THE WHITE HOUSE
WASHINGTON

10/4/90

TO: EDE HOLIDAY

FROM: **JAMES W. CICCONI**
Assistant to the President and
Deputy to the Chief of Staff

Please prepare a response for the President's signature.

[redacted]

cc: NSC

[redacted]

7970

AMERICAS SOCIETY INC

680 PARK AVENUE NEW YORK NEW YORK 10021 212 249 8950

DAVID ROCKEFELLER

October 1, 1990

Dear Mr. President:

As you know better than anyone, the recent meetings of the General Assembly of the United Nations have brought a great many Heads of State to New York. I am happy to say that the Americas Society has been able to take advantage of this fact by entertaining at lunches and dinners eight of the leading Latin American Presidents including Presidents Collor, Gaviria and Salinas, who, in my judgment, are three outstanding leaders of the Hemisphere. The functions we gave provided them with opportunities to meet with opinion leaders from the private sector at public events coupled with smaller private meetings with senior businessmen doing business in their respective countries.

I am taking the liberty of writing you at this time because I thought you would be interested and encouraged to hear that the reaction of the Latin American leaders we have talked with has been uniformly enthusiastic with respect to your "Enterprise for the Americas" initiative. They agree with you that the time is propitious to emphasize investment and trade and that the private sector will need to play a major role even though there are important ways in which Government can stimulate and encourage these private activities. American businessmen with existing interests in Latin American share the enthusiasm of their Latin American counterparts. Many, including myself, are also convinced that the debt for nature proposal embedded in your initiative could be very important in encouraging more aggressive programs to protect the environment in Latin America.

My one concern is that, unlike in Latin America, the initiative has thus far received very little public recognition in this country. Organizations like the Americas Society and the Council of the Americas are fully on board and hopefully are being helpful in selling it both here and in Latin America. But, with developments in the Soviet Union and Central Europe,

not to mention the Gulf, it would appear that even within the Administration there are relatively few people who are actively promoting the initiative. This is a pity since your leadership and the message you are conveying to the newly-elected leaders of Latin America are widely and enthusiastically recognized. Indeed, I have heard it said by many that no President of the United States in recent decades has enjoyed the popularity you have or has been perceived to have your personal interest and concern for the affairs of this Hemisphere.

We in the Americas Society are keeping in close touch with Nick Brady and David Mulford in the Treasury, with Bob Mosbacher in Commerce and with Roger Porter and Steve Farrar in the White House. Please be sure that we believe in what you are doing and would like to help in other ways if you see the opportunity. Please let us know.

Sincerely,

David Rockefeller

The President
The White House
Washington, D.C. 20500

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 9007970
RECEIVED: 05 OCT 90 20

TO: PRESIDENT

FROM: ROCKEFELLER, DAVID

DOC DATE: 01 OCT 90
SOURCE REF:

KEYWORDS: LATIN AMERICA
MP
ECONOMIC ASSISTANCE
WH REFERRAL

PERSONS:

SUBJECT: LTR TO PRES FM AMER SOCIETY RE ENTERPRISE FOR AMER INTITIATIVE

ACTION: PREPARE MEMO FOR SCOWCROFT DUE DATE: 09 OCT 90 STATUS: S

STAFF OFFICER: LUNDSAGER LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
LUNDSAGER	PRYCE	JOHNSON
		PACELLI
		UHL

10/9 Bill - This is an excellent chance for us to ask them to ask the Congress to pass the Enterprise legislation

COMMENTS:

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSWEA CLOSED BY: DOC 1 OF 1

UNCLASSIFIED

OUTGOING FILE

~~CONFIDENTIAL~~
NSC/S PROFILE

RECORD ID: 9007258
RECEIVED: 13 SEP 90 09

TO: PRESIDENT

FROM: PEREZ, CARLOS A

DOC DATE: 12 OCT 90
SOURCE REF:

2

KEYWORDS: VENEZUELA
LATIN AMERICA
CARIBBEAN
HS
ECONOMICS

PERSONS: PEREZ, CARLOS A

SUBJECT: PRES LTR TO PRES PEREZ OF VENEZUELA RE LATIN AMER & CARIBBEAN PROPOSAL FOR SOLUTION TO FORN DEBT PROBLEM

ACTION: PRES SGD LTR DUE DATE: 12 OCT 90 STATUS: C

STAFF OFFICER: JOHNSON LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		DEAL
		JOHNSON
		NSC CHRON

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 6/15/09

COMMENTS: _____

DISPATCHED BY VCH DATE 10/12 BY HAND W/ATTCH

OPENED BY: NSDAI CLOSED BY: NSWEA DOC 6 OF 6

~~CONFIDENTIAL~~

National Security Council
The White House

PROOFED BY: _____ LOG # 7258

URGENT NOT PROOFED: _____ SYSTEM (PRS) NSC INT

BYPASSED WW DESK: _____ DOCLOG 24 A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill			
Bill Sittmann	1		Review
Bob Gates			
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	2		D
NSC Secretariat	3	MEA 10/12	D

90 OCT 12 A8:55

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____ (Date/Time)

COMMENTS Date OK'd 10/12/90?

DISPATCH INSTRUCTIONS:

Routine Dispatch per Johnson
MEA 10/12

National Security Council
The White House

PROOFED BY: WS LOG # 725C

URGENT NOT PROOFED: _____ SYSTEM PRS NSC INT

BYPASSED WW DESK: _____ DOCLOG AM A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	1		A
Bill Sittmann	2	W	
Bob Gates	3	8	
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	4	24.10/11	D N
NSC Secretariat			

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____ (Date/Time)

COMMENTS

W/ attach Done

DISPATCH INSTRUCTIONS:

Exec Sec's Off has diskette -

RELEASED
00 OCT 9 P7.12

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04a. Letter	President Bush to President Carlos Andres Perez (1 pp.)	10/12/90	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Date Closed:	5/15/2009	**OA/ID Number:**	91139-011
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

~~CONFIDENTIAL~~ ~~CONFIDENTIAL~~ 7258

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/24

THE WHITE HOUSE

WASHINGTON

October 11, 1990

90 OCT 11 AM 11:20

SIGNED

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Letter to President Perez on Debt

Purpose

To reply to Venezuelan President Perez' letter to you of July 9 enclosing a report on debt.

Background

President Perez sent you a letter dated July 9 (but received by State in early September) forwarding the report of a June 18-22 conference on external debt, held under the auspices of the Latin American Economic System (SELA in Spanish). The report focuses on the need to reduce debt, without linking debt reduction to economic reform. It is an example of "old thinking" in Latin America.

Although CAP was undoubtedly one of the sponsors of the conference, his letter to you transmitting the report was couched in very neutral terms. As far as we are aware, he has not referred to the work of the Conference in any other communication to you or with our Embassy.

The draft reply at Tab A, which has been cleared by State and Treasury, acknowledges CAP's letter, but very politely lays down some markers about the importance of market-oriented economic reforms and indirectly reminds CAP of our assistance in helping Venezuela reach a Brady Plan agreement with its commercial bank creditors. It is a nice way of telling CAP that we do not accept the premises of the report, and that we remain committed to our own very effective debt policy.

RECOMMENDATION

That you sign the letter to President Perez at Tab A.

Attachments
Tab A Letter to President Perez
Tab B Letter from President Perez Attaching SELA Report

~~CONFIDENTIAL~~ ~~CONFIDENTIAL~~
Declassify on: OADR

cc: Vice President
Chief of Staff

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

October 9, 1990

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: WILLIAM T. PRYCE WTP

FROM: DONALD C. JOHNSON DJ

SUBJECT: Reply to President Perez on Debt

From June 18 to 22, the Latin American Economic System (SELA in Spanish) held a conference in Caracas on external debt problems. The conference produced a document which is full of Third World rhetoric. President Perez sent the President a copy of the document under cover of a July 9 letter which was not received by State until early September.

State and Treasury believe CAP's letter deserves a response which politely lays down markers rejecting the prescriptions advanced in the SELA report. The draft letter at Tab A is based on a State Department draft which was cleared by Treasury.

Concurrence by: Tim Deal.

RECOMMENDATION

That you sign the Memorandum to the President at Tab I.

Attachments
Tab I Memorandum to the President
Tab A Letter to President Perez of Venezuela
Tab B President Perez' Letter of July 9
Tab II State Incoming

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/24

9019747 7258

United States Department of State

Washington, D.C. 20520

September 28, 1990

UNCLASSIFIED

MEMORANDUM FOR BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Reply to the President of Venezuela on Debt Reduction

Attached please find a draft reply from the President to a letter from Carlos Andrez Perez, President of Venezuela. The Perez letter transmitted a statement on debt reduction from the Regional Conference on Foreign Debt, hosted by the Government of Venezuela in Caracas June 18-22, 1990.

R. S. Kadlec
For J. Stapleton Roy
Executive Secretary

Attachments:

1 - Draft Letter
2 - Letter from President Perez

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04d. Draft Letter	Re: Department of State Suggested Draft Reply to President Carlos Andres Perez from President Bush (2 pp.)	n.d.	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Date Closed:	5/15/2009	**OA/ID Number:**	91139-011
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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(b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04e. Letter	President Carlos Andres Perez to President Bush [English] (2 pp.)	7/9/90	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Date Closed:	5/15/2009	**OA/ID Number:**	91139-011
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

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(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

7258

S/S 9019747

United States Department of State

Washington, D.C. 20520

September 12, 1990

MEMORANDUM FOR: Mr. William F. Sittmann
Executive Secretary
National Security Council Staff
The White House

SUBJECT: Alerting NSCS on Presidential Correspondence

Enclosed is the original of a letter to President Bush from Venezualan President Carlos Andres Perez which is transmitted for your information.

This correspondence was received in the Information Resources Management Section of the Executive Secretariat on September 12, 1990 A copy has been assigned to the appropriate bureau for action.

S. McElhaney for

Director, S/S-IRM
Information Resources Management Section
Executive Secretariat
647-2991

EMBAJADA DE VENEZUELA
WASHINGTON, D. C.
N° 955/Dli

THE EMBASSY OF VENEZUELA presents its compliments to the Department of State and has the honor to transmit hereto attached a letter addressed by H.E. Carlos Andrés Pérez to H.E. George Bush, President of the United States of America, forwarding the results of the Regional Conference on Foreign Debt, which took place in Caracas from the 18th to the 22nd of June 1990 within the framework of The Latin American Economic System. The Conference entrusted the Government of Venezuela, as host country of the Conference, to present the "Latin American and Caribbean proposal for a solution to its External Debt Problem", to the Heads of State or Government of the Group of 7.

THE EMBASSY OF VENEZUELA avails itself of this opportunity to renew to the Department of State the assurances of its highest consideration.

REPUBLICA DE VENEZUELA
EMBAJADA EN LOS ESTADOS UNIDOS DE AMERICA

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04f. Letter	President Carlos Andres Perez to President Bush [Spanish] (1 pp.)	7/9/90	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Latin American Files
Subseries: Economic Chronological Files
WHORM Cat.:
File Location: Latin America - Economics (October 1990)

Date Closed:	5/15/2009	**OA/ID Number:**	91139-011
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

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(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

EMBAJADA DE VENEZUELA
WASHINGTON, D.C. 20008

UNOFFICIAL TRANSLATION

Caracas, July 9, 1987

His Excellency
Mr. George Bush
President of the United States of America
Washington, D.C.

Dear Mr. President:

I have the pleasure to address you on the opportunity of informing the results of the Regional Conference on Foreign Debt, which took place in Caracas from the 18th to the 22nd of June, within the framework of the Latin American Economic System (SELA).

I have been asked by Latin American Delegates to the Conference to make available, through your high mediation, in your capacity as Chairman of the next Summit Meeting of Heads of State of the Seven Industrialized Countries to be held in Houston this "Latin American and Caribbean Proposal for a Solution of the Foreign Debt".

I consider that this Proposal constitutes a positive initiative on behalf of the Latin American ante the Caribbean countries, to strengthen the international strategy to face this serious problem affecting our countries, and it is made with the purpose of contributing to constructive dialogue on the subject, and without any spirit of confrontation.

In the certainty of obtaining your interest and that of your illustrious Government on this transcendental matter, I avail myself of this opportunity to renew to you, dear Mr. President, the assurances of my highest and most distinguished consideration.

CARLOS ANDRES PEREZ
President of the Republic of Venezuela

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E.O. 13526, Sec. 3.3
GB-2009-1128-MR/NW 80041
By SAC, NARA, Date 2/17/2026

Sistema
Económico
Latinoamericano

Latin American
Economic
System

Sistema
Econômico
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Economique
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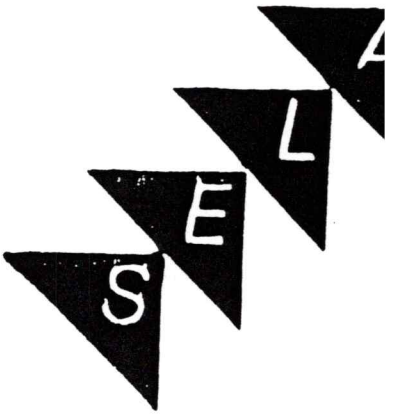

Permanent Secretariat

RESOLUTION I

LATIN AMERICAN AND CARIBBEAN PROPOSAL FOR A SOLUTION TO ITS EXTERNAL DEBT PROBLEM ADOPTED AT THE REGIONAL CONFERENCE ON EXTERNAL DEBT

(Caracas, 18 to 22 June 1990)

RESOLUTION I

The Regional Conference on External Debt, convened in Caracas, Venezuela, from 18 to 22 June 1990,

RESOLVES:

Sole Article: To approve the "Latin American and Caribbean Proposal for a Solution to its External Debt Problem" attached.

DECLASSIFIED
E.O. 13526, Sec. 3.3
GB-2009-1128-MR/NLJ 80041
By SAC, NARA, Date 2/7/2024

I. INTRODUCTION

1. Latin America and the Caribbean has no future without economic development. The present crisis is further undermining standards of living, marginalizing more and more sectors of the population and is posing a threat to future growth. What is at stake in many countries is not merely the stability of democratic regimes but also the survival of a system of social coexistence and the very viability of the nations themselves. The Governments of Latin America and the Caribbean have reiterated their intention to meet their commitment to promote the development of their own nations so as to ensure peace and prosperity for their peoples and thereby create an economic environment that will enable them to honour their external obligations.

2. The external debt crisis has converted the eighties into a lost decade for the region's development. The external situation, featuring high external debt service and limited access to fresh outside financing, has increased the complex structural imbalances characterizing the region, particularly as regards the low levels of investment, the severe drop in real salaries, the decline in the average product per inhabitant and the rising rates of inflation. Between 1982 and the end of 1989, Latin America and the Caribbean will have transferred close to 250 billion dollars to the industrialized countries for debt-servicing. Despite this enormous drain on resources the region's debt will have grown by around 100 billion dollars during the same period. It is estimated that the total external debt of Latin America and the Caribbean amounted to approximately 434 billion dollars in 1989, which represents 300% of the value of the exports of all our countries combined in that year and is equal to 51% of the regional gross product. Added to this transfer has been the instability resulting from macroeconomic imbalances in the industrialized economies, their growing protectionism, the gradual deterioration in terms of trade, as well as continuous and exhausting external debt negotiations.

3. Creditors have made many efforts to highlight the differences, special circumstances and peculiarities surrounding the external debt of the different Latin American and Caribbean countries, in order to justify bilateral treatment of the problem. Although the structure, dimension, origin and sources of financing of the various country debts are different, it is true that there are no solid bases for distinguishing between the different subregions, or between the different country groupings as regards the relative debt burden and its consequences for the entire region. The transfer of financial

resources abroad for the service of the foreign debt has affected every country in terms of its negative impact on investment rates, growth, fiscal and macroeconomic imbalances, inflationary pressures, net resource transfers, difficulties in maintaining appropriate import levels and, in particular, the living standards of the population.

4. This proposal takes into account the difficulties faced by Latin America and the Caribbean as a result of the external debt situation. In this regard, it focusses on the problem and the solution from the standpoint of the different types of debt, which makes it possible for it to incorporate all the countries and mirror their interests in joint guidelines for action on external debt.

5. Eight years since the onset of the debt crisis, all the actors involved have finally begun to recognize that the debt is unpayable under the present conditions. The failure of arrangements agreed to date with commercial banks and the writing-down of portfolios demonstrate this. The inability to pay has led the countries of the region to engage in repeated, individual renegotiations with limited scope and to accept unsatisfactory results. Individual action has prevailed over collective action in Latin America and the Caribbean. Despite the fact that in specific cases favourable results may have been achieved, at the regional level this situation has deteriorated as the debt grew and the problems have been compounded. All this points to the need to launch a new joint regional-level endeavour aimed at achieving stable and fair solutions to the external debt problem.

6. Experience has also shown that in most cases the implementation of adjustment programmes and the conditionality criteria connected with the orthodox management of the region's external debt run counter to our countries' development goals and have entailed a high economic, social and political cost, as shown by the drop in all the social indicators in the region and the tensions affecting several countries, endangering the stability of the democratic system.

7. Latin America and the Caribbean does not reject the need for adjustments and structural reforms with regard to its economies and development policies. There is an awareness that if the productive apparatus is not modernized, the region will not be able to take its place in a highly competitive world nor to resume the path to development. Redressing macroeconomic balances, controlling inflation and reducing fiscal deficit are efforts in which Latin America and the Caribbean has been engaged throughout the decade. However, in most cases,

they have been seriously undermined and in some instances nullified by an adverse external economic environment, which is beyond our control. In future, the correction of economic imbalances will have to be undertaken in line with our own objectives, criteria and interests, and not at the price of sacrificing the development and wellbeing of the population. A prerequisite for reform and economic adjustment is the reduction of resource transfers for debt servicing, which would release resources for allocation to development programmes. This also implies a radical change in the present concept of conditionality.

8. The present Latin American and Caribbean proposal is based mainly on the premise that the region's external debt problem cannot be solved without a substantial reduction in debt principal and servicing, which would drastically reduce the resource transfer abroad. The link between debt balance/service and the ability to pay is therefore a key criterion for arriving at a lasting solution to the external debt problem.

9. Latin America and the Caribbean has continually advocated the need for joint efforts and a concerted solution to the external debt problem. This will benefit debtor and creditor countries alike, as all of them will experience increased production, improved export performance and rising employment levels in the short term. The present proposal incorporates a series of elements which reflect the economic, political and social realities of the external debt problem and calls for the corresponsibility of all the parties involved to be acknowledged and for an equitable and definitive solution to be found. Failure to use this opportunity now will inexorably induce more radical positions, with very high costs for both sides, and confrontations which we have avoided in the past and do not wish in the future.

10. The application of the fundamental elements of the present proposal, by providing substantial relief from external commitments, would redound in renewed political, economic and social viability for the countries of the region and would make the regular and predictable channeling of resources for development possible. Another new development that would arise from concerted action with creditors is Latin America and the Caribbean's credibility, currently inexistent, with respect to future compliance with debt servicing.

11. Since the beginning of the debt crisis, Latin America and the Caribbean has repeatedly held that the issue is political in nature and that a just, equitable and lasting solution to the problem must be found on the basis of the principle of coresponsibility of creditors and debtors. The Latin American

Economic Conference held in Quito in 1984 and the Cartagena Consensus are milestones in the designing of a joint regional position which is given concrete form in this Proposal.

II. BASIC PRINCIPLES

12. The purposes of the present initiative are to significantly reduce resource transfers abroad; progressively reverse the trend over the past decade whereby the region became the capital exporter, in order to obtain fresh outside funding for the implementation of investment projects; and remedy the situation of the high external debt levels in order to regain the economic and financial stability needed to resume the path to economic and social development. This is an essential condition for Latin America and the Caribbean to be able to grow, raising the depressed levels of investment and imports, expanding and diversifying exports and modernizing the productive apparatus, bridging the striking social gap, ensuring the wellbeing of its peoples and improving its relations with the international financial markets. In this decade, it is essential that, on the basis of the growing domestic challenges and the rapid and deep-seated changes in the international scenario, for the region to define its own autonomous identity that will allow it to effectively defend its interests and rights, strengthen and consolidate the democratic system and improve its share in the international economy.

13. The following principles constitute the core elements of the Latin American and Caribbean position on external debt:

a) The external debt is more than an economic and financial issue; it is a political problem that affects regional stability and security.

b) The urgent need for the region to resume the path to economic and social development. In order to achieve this, the average real growth of the economies must be at least a level similar to the 1960s and 1970s, i.e. 6% per annum, which means a significant rise in the region's depressed investment rates.

c) The need to achieve a positive net transfer of resources to the region. In order to attain this goal, as part of the effort required to reactivate development, a significant reduction of the debt and debt service is essential to increase internal regional savings, expand exports and access to new financial resources from commercial banks and multilateral financial organizations, foreign direct

investment and funds from industrialized surplus countries. To this end, reductions in the nominal value of principal and ceilings on interest rates are envisaged.

d) The need to approach the problem of the debt and its solution from the standpoint of the different types of debt: with commercial banks, creditor governments, multilateral funding agencies and, lastly, intraregional debt.

e) Recognition of the joint responsibility of the parties involved in the search for an equitable and lasting solution to the external debt problem.

f) The development objectives, ability to pay and market value of the debt of each country are fundamental criteria for a lasting solution to the external debt problem.

g) Particular attention must be paid, during the course of the negotiations, to granting special and priority treatment to the relatively less developed countries of the region.

h) The need to strengthen regional unity and solidarity with respect to the external debt issue, within the framework of SELA as a political and technical forum for coordination and regional concertation in this area.

III. MAIN ELEMENTS

14. The international community now accepts the need for a reduction in the nominal value and servicing of the external debt of the Latin American and Caribbean countries, in order to find a lasting solution to the debt problem and thereby reactivate development. The initiatives and measures aimed at reducing the principal and service of the debt or easing the debt burden of the countries in the region is a major step in that direction.

15. The framework for a solution contained in the regional proposal focusses the problem on the basis of the different types of medium and long-term debt: with commercial banks, creditor governments, multilateral funding agencies and, lastly, on the intraregional debt.

16. This Proposal contains principles and elements that constitute concerted guidelines for action on external debt for the Latin American and Caribbean countries. They are designed to facilitate regional action vis à vis creditors using certain operative modalities, to be defined in due course. These

guidelines will be applied in case-by-case negotiations, which take into account the specificities of each country of the region, and are flexibile enough to embrace specific measures for realizing the basic principles and objectives and main elements of this initiative.

17. Despite the relief from the present external debt burden that this proposal would provide, regional growth targets could best be reinforced with the support of additional, continuous and predictable resource flows, from commercial banks, international funding agencies, foreign direct investment and funds from industrial surplus countries, which would allow a positive net transfer to the region.

Central Objective

18. As stated, the challenge now facing Latin America and the Caribbean is to resume the path to economic development, making up for the drastic social lag that has characterized the 80s and the negative trends envisaged for this decade. For this purpose, Latin America and the Caribbean will require real growth of its economies at rates similar to the 1961 and 1980 levels of 6% per annum. From 1981 to 1989, the region grew at a rate of less than 1.5%, and in recent years less than 1%. The principal obstacle to the achievement of traditional growth rates by these countries once again is external financing. The SELA Permanent Secretariat has, to this end, carried out in-depth analyses of the possible evolution of sources of external funding, concluding that the present gap cannot be bridged, at least not in the medium term, by assumed inflows of fresh money, reduced interest rates, foreign direct investment, a significant reactivation of trade, repatriation of capital or greater sacrifices in domestic consumption.

Reduction of Transfers

19. The analyses prove that there needs to be a 75% reduction in the regional resources transferred abroad, equivalent to 4% of the region's GDP, thereby releasing the necessary funds which, together with adequate levels of domestic savings and foreseeable - though limited - external savings, would bolster employment and future growth. In order to attain the objectives stated in the preceding paragraph, according to the ECLAC/SELA analysis, it is considered necessary to reduce the present volume of transfers for debt servicing by 75%. This

could be achieved by different means 1/. One of these consists in a combined reduction of principal and interest rates so that payments do not exceed 25% of present transfers.

A. COMMERCIAL BANK DEBT

20. The regional proposal to significantly limit the transfer of resources abroad consists in concerted action with respect to: (i) a reduction in the nominal value of the principal of the debt; (ii) a fixed interest rate below the market rate; (iii) the substitution of all medium and long-term commercial bank claims 2/ with issues of new instruments with long maturities and a guaranteed value (bonds); and, (iv) making changes in banking regulations in order to facilitate these operations.

Reduction of Principal

21. Considering differences from country to country, the nominal value of the total principal of medium and long-term commercial bank debt will be substantially reduced by taking into account the value of the debt on the secondary market, the country's development objectives and its ability to pay.

22. Outstanding debt-service payments will receive similar treatment to that indicated in the preceding paragraph.

Long-term Bonds

23. The new debt instruments would be issued for the discounted face value of the debt. These titles will be in the form of long-term bonds, which will cover all debts at the cut-off date and will have 35-year maturities at least 3/. The bonds would be paid upon maturity unless the debtor countries express their intention to redeem them earlier.

1/ See joint ECLAC/SELA study "External Debt and Economic Growth in Latin America and the Caribbean: Economic Consequences of the SELA Debt Reduction Proposal Compared with Alternative Scenarios". April 1990.

2/ The same treatment is suggested for bonds held by foreign creditors.

3/ SELA Permanent Secretariat studies show that if 1% of principal were deposited annually at an interest rate of only 5.2% for a period of 35 years, it would be sufficient to pay in full on maturity the bonds that would be issued based on a 50% reduction in face value.

Guarantees

24. Capital payments on the bonds would be guaranteed by the issuing countries through the establishment of a fund to pay off these instruments upon maturity, or at an earlier date if the issuing country so chooses.

25. Each debtor country would set up its own guarantee fund, or will participate in a trust fund created for that purpose in the Inter-American Development Bank or in the subregional financial institutions, with initial annual deposits of not more than 1% of the value of the bonds 1/.

26. It is understood that the guarantee covers instruments that represent a reduction in the face value of the debt. In respect of fresh money, it is recommended that these flows should not be subject to guarantees so as to enable countries to return to the voluntary markets as soon as possible.

Yield of Long-Term Bonds

27. The bonds would yield a fixed interest, lower than the market rate, to be negotiated. Interest rates must be fixed, otherwise increases would nullify the benefit of a reduction in the face value of the debt.

Alternative or Complementary Solutions

28. Those countries who find that the general proposal is not appropriate for their characteristics, will look into alternate or complementary forms of relationship with commercial banks, inter alia direct buybacks in cash, new loans, debt-equity swaps, exchanging debt for long term bonds with floating rates of return, all as part of the main goal of ensuring an appropriate flow of resources guaranteeing high economic growth rates and better levels of social welfare.

Banking Regulations

29. This plan would be facilitated by the amendment of regulations in creditor countries governing banking and financial operations so as to provide tax and accounting treatment that would effectively encourage the commercial banks to participate in the mechanisms put forward in the Proposal. The measures to be negotiated and eventually adopted by creditor-country governments are as follows:

1/ See Note 3/ on p. 9.

a) To allow banks to absorb on their books over a ten-year period losses resulting from their participation in debt reduction operations, instead of registering them in a single year as is required under current regulations. The implementation of this measure has a precedent in the United States: the treatment accorded to farmers in difficulty.

b) Even though greater co-ordination and harmonization among creditor countries with regard to accounting and regulatory aspects would be desirable, in order to provide an incentive for commercial banks to participate in the arrangement suggested in this Proposal, there are great conceptual as well as operative differences in the regulations of the major creditor countries. The latter might require different approaches according to the source of financing, for example:

   i. In the European countries and Canada, which have high levels of provisioning, with sizeable tax incentives granted beforehand for the constitution of such reserves, these concessions should be given only to banks that participate in debt/debt-service reduction arrangements or that make a substantial contribution to new financing.

   ii. In countries that have provided little or no incentive for provisioning, it would be wiser to adopt a differential reserve requirement policy, with higher levels applied to creditor banks that do not participate in debt/debt-service reduction arrangements or in granting new funds. This is particularly important in the United States.

   iii. In the case of Japan, current flexibility must be maintained in order to allow Japanese banks to participate in debt reduction schemes and to continue to provide tax incentives for this type of action.

c) The tax and accounting regulations of creditor countries should be as clear and transparent as possible, in order to facilitate the process of negotiating debt/debt-service reductions.

d) If the commercial banks shirk their responsibility in finding a solution to the debt problem, the option of evoking Article VIII 2 (b) of the Agreement establishing the International Monetary Fund might be considered, in order to authorize exchange control on remittances of interest payments abroad by debtor countries, implying an

appropriate level of debt-service reduction in order to release resources for growth, within the framework of the programmes agreed on between the IMF and the debtor countries.

Changes in the Clauses of Loan Contracts

30. The elimination of clauses preventing the States from directly buying back their own debts and greater flexibility in bank clauses, including a general waiver of those clauses concerning sharing of payments, pari-passu and negative pledges, will reduce the complexity and delay in arrangements between individual countries and the commercial banks.

31. The application and interpretation of various contractual clauses has at times been prejudicial to the debtor countries, by not allowing them the necessary flexibility in debt/debt-service reduction negotiations. The elimination or substantial modification of many of them, including those indicated in paragraph 31, would therefore seem to be a fundamental factor for future arrangements.

32. In recent years experience has shown that different waivers have been obtained in specific cases involving commercial banks to carry out debt swaps according to the modalities or the menu of options used by the countries of the region. This confirms that it is possible to make these clauses flexible in the manner this proposal suggests.

Capital Market Instruments/Private Non-Bank Debt

33. In the case of medium-term bond issues, while respecting the original terms of these instruments, an issuing country may need refinancing of the debt service on these bonds. Refinancings may more readily be accomplished where they have the support or guarantee of export credit agencies, creditor governments, or multilateral institutions.

B. OFFICIAL DEBT WITH CREDITOR GOVERNMENTS

34. Negotiations between creditor governments and Latin American and Caribbean debtor countries should be geared towards achieving results which are consonant with objective requirements of the debtor countries in the region to significantly reduce the transfers of resources abroad and to increase the new resources in order to achieve the investment rate required. It is essential that the Paris Club negotiations be more flexible, so as to include substantial debt reductions,

and reformulate the excessive demands and conditionality requirements now imposed on debtors in the context of reprogramming. The starting point, taking as a base the Toronto Terms agreed on at the XIV summit conference of industrialized countries, held on 19-21 June 1988 for restructuring the official debt of the low-income sub-Saharan African countries, would be to adapt these terms to the realities of the debtor countries of the region. In this context we should ensure that the International Community automatically grant the same Toronto Terms offered to the Sub-Saharan African countries to those Latin American and Caribbean countries which qualify. As will be recalled, these terms were as follows: (a) a partial write-off of the face value of debt obligations; (b) concessional interest rates; and (c) longer repayment periods. This does not exclude write-offs of substantial portions of bilateral debt.

35. Specific additional agreements to be established within the framework of the Paris Club would be as follows: (a) new across-the-board rescheduling of all debt that has already been renegotiated; (b) later cut-off date; (c) write-offs of all late interest and reduction of interest due; (d) using the export performance of Latin American and Caribbean countries as a criterion for debt restructuring, in order to determine the ability to pay, given the negative impact of trade restrictions; (e) lowering of the interest rate floor agreed upon by the OECD; (f) reestablishment of full coverage of export credit; and (g) when a debtor country, because of its domestic economic situation or balance of payments problems, suspends external payments and enters into a renegotiation process, the conditions for export credit insurance coverage should not be modified nor should coverage be suspended; and (h) reducing the cost of the export credit insurance coverage.

36. Creditor countries must amend their laws and administrative provisions, as well as the relevant agreements and understandings, in order to facilitate effective implementation as outlined. In particular, it is recommended that these countries should be more flexible in their modus operandi to allow for the restructuring of specific projects.

Official Development Assistance (ODA)

37. Creditor countries, in allocating Official Development Assistance funds to Latin America and the Caribbean, shall endeavour to: (a) grant new concessional loans in significant amounts; (b) replace loan allocations with donations, at least for the current decade; (c) make retroactive adjustments in the terms of the loans already granted in order to convert

them into donations or softer loans; and (d) channel part of ODA into replacing claims on those debtor countries which are subject to the application of market rates by international financial institutions, including the Caribbean microeconomies suffering the effects of graduation.

38. The countries of the region that make contributions to the International Development Association will take the necessary steps to ensure that these contributions are used to fund projects in Latin American and Caribbean countries which are eligible for IDA resources.

C. DEBT WITH MULTILATERAL FUNDING AGENCIES

1. World Bank and Inter-American Development Bank

39. Negotiations with creditor governments must aim at bringing about substantial changes in the policies and procedures of the multilateral financial institutions (MFIs) indicated in order to: (a) guarantee a sufficient amount of new disbursements so as to ensure a net positive transfer of resources to the countries of the region; (b) take a positive attitude towards restructuring the debts incurred with the organizations, allowing current maturities to be extended; (c) reaffirm their function in promoting development, while avoiding encroachment on areas that are within the exclusive jurisdiction of national governments; and (d) co-operate with the debtor countries, supporting their proposals in negotiations with the commercial banks.

40. In these negotiations special and priority treatment should be accorded to those countries whose debt with multilateral funding agencies constitutes a large proportion of their total debt or when it is a significant burden of its total debt, in order to meet the objective of reversing the negative transfer of resources to the institutions by replacing the current portfolios at market rates of the affected countries with extended concessional financing.

41. Particular attention must be paid, during the course of the negotiations, to correcting the operative policies of these agencies in order to: (a) impose less rigorous conditionality on the granting of loans, respecting the priorities set in the economic and social policies of the Latin American and Caribbean countries and doing away with the undesirable practice of cross-conditionality; (b) substantially reduce their risk commission; (c) eliminate uncertainty and avoid the exchange risks involved in working with a basket of currencies

whose value is constantly changing on the international market; (d) increase the gearing ratio; and (e) streamline loan approval and disbursement procedures; (f) ease the national counterpart requirements.

2. International Monetary Fund

42. The problem posed by arrears in debtor countries' financial obligations with the IMF should continue to be addressed using constructive criteria, which would allow this situation to be corrected. To this end, the IMF should also consider new forms of funding for countries with severe balance of payments problems which lead them to fall into arrears in the payment of their obligations, so that they would no longer be classified as ineligible.

43. An additional location of Special Drawing Rights should also be issued in order to support, inter alia, operations aimed at reducing developing country debt. Furthermore, it is essential to increase IMF quotas above the level recently agreed upon and to bring the next quota review forward before to 1993, so as to adequately meet the needs of the countries of the region, broaden access to these resources and make it more flexible.

44. The possibilities of mobilizing present IMF resources for debt reduction schemes should be fully explored. These include non-utilized lending capacity, unused gold holdings, funds from the General Arrangements to Borrow and the possibility of expanding countries' borrowing capacity in relation to their quotas.

45. Compliance with IMF conditionality must be linked to prevailing external conditions, to the structural problems to be solved in the medium and long term and to the existing political, social and administrative limitations in the countries of the region. It is now clear that conditionality criteria should be geared towards making development viable.

IV. OTHER COMPLEMENTARY ACTIONS TO BE UNDERTAKEN BY LATIN AMERICA AND THE CARIBBEAN

D. DEBT-TRADE LINK

46. A series of criteria should be defined which effectively link the renegotiation and reduction of the debt to the outcome of bilateral or multilateral trade negotiations, so as to establish a practical link between debt and trade, which would affect the ability to pay. What is especially necessary to

avoid is that measures applied by the developed countries in the monetary and financial areas do away with or jeopardize current or future trade benefits stemming from bilateral or multilateral trade negotiations, especially in the framework of the Uruguay Round.

E. INTRAREGIONAL DEBT

47. The aforementioned elements of the Proposal are aimed at a genuine, lasting solution to be negotiated with international creditors. Along with these extra-regional efforts, it is essential to resolve the problem of intra-regional debt being faced by many Latin American and Caribbean countries. To this end, the major creditors in our own area should sustain their efforts and commitment to reduce overall debt and debt servicing levels. This would in turn give greater credibility and weight to a Latin American Proposal addressed to agents outside the region, and at the regional level it would help to strengthen the spirit of solidarity and regional cooperation.

48. The criteria which have been identified for the reduction of intra-regional debt coincide with those presented above.

49. The activation of the mechanisms identified by the Permanent Mechanism of Consultation and Concerted Policy Action (Rio Group) would provide substantial relief from intra-regional debt and debt servicing. The mechanisms are as follows:

a) Reduced debt levels

- Purchases of discounted debt
- Debt-equity swaps
- Conversion of debt into local currency

b) Reduced debt servicing

- Partial or total payment of interest with debt paper from the creditor country
- Compatibility between debt service and the debtor country's ability to pay
- Granting longer maturities in cases of default
- Payment with exports
- Payment of the debt in local currency

c) The Rio Club

- Interested countries could organize a voluntary joint negotiation process between a debtor and some of its creditors, based on the case-by-case approach.

50. One of the objectives in this area might also be, in the context of greater flexibility on the part of regional creditors, the preferential payment of debt contracted between countries of the region.

51. The elements incorporated in this proposal for the treatment of debt with multilateral funding agencies (paragraphs 40 to 42) could be considered in cases involving subregional financial institutions.

52. The flexibility established by the Rio Group with regard to intra-regional debt presents certain modalities that could be used in dealing with this debt:

a) Strengthening Countertrade

A countertrade programme including a payment plan would be drawn up along with restructuring agreements.

b) Joint-investment Programme

Bilateral industrial investment agreements, in the context of joint investment or joint ventures, provide the opportunity for part of the debt to be entered as a contribution made by the creditor country.

c) Technical Assistance

In bilateral technical co-operation programmes part of the technical assistance could be entered as a counterpart expense for the debtor country and charged as debt payment.

d) Government Procurement

As far as possible, in relevant cases, the creditor countries of the Rio Club could establish preferences in their state procurement in debtor countries and the payments would be financed through mechanisms that imply debt payment or would simply be registered as such.

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NSC/S PROFILE

RECORD ID: 9007591
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TO: SITTMANN

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FROM: ROY, J

DOC DATE: 15 OCT 90
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2.

KEYWORDS: CANADA
FTA
INTL TRADE
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MEXICO

PERSONS: MULRONEY, BRIAN

SUBJECT: LTR TO PRES FM PM MULRONEY RE PARTICIPATION IN NORTH AMER FTA

ACTION: NO REPLY REQUIRED PER STATE DUE DATE: 27 SEP 90 STATUS: C

STAFF OFFICER: STATE LOGREF: 9007259 9007552

FILES: WH NSCP: CODES:

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cop NARA, Date 5/15/09

COMMENTS:

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7591

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

TRANSMITTAL FORM

S/S 9020780

Date October 15, 1990

FOR: Mr. William F. Sittmann
Executive Secretary
National Security Council Staff
The White House

REFERENCE:

To: The President

From: Brian Mulroney

Date: September 21, 1990

Subject: Letter to President from Prime Minister Mulroney Regarding Participation in the North American FTA.

WH Referral Dated: 9007591
NSCS ID# (if any): September 24, 1990

_____ The attached item was sent directly to the Department of State.

ACTION TAKEN:

_____ A draft reply is attached.

_____ A draft reply will be forwarded.

_____ A translation is attached.

_____ An information copy of a direct reply is attached.

__X__ We believe no response is necessary for the reason cited below.

_____ The Department of State has no objection to the proposed travel.

_____ Other (see remarks).

REMARKS:

No response is necessary, because the issue was discussed by the President in phone conversations with PM Mulroney and handled by other senior officials.

for Director
Secretariat Staff

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7591

PRES NOTED SUMMARY

PRIME MINISTER · PREMIER MINISTRE

September 21, 1990.

Dear George,

I am writing to express the interest of the Government of Canada in participating in negotiations with the United States and Mexico on a North American free trade agreement which would benefit all three countries. I would ask that this proposal be taken into account in your domestic procedures.

I am confident that an examination over the coming months of the objectives each country would wish to pursue in such negotiations would demonstrate that a mutually advantageous agreement can be concluded.

I look forward to joining you and President Salinas in this common endeavour.

Yours sincerely,

The President of the United States
of America
The White House
Washington, D.C.

NATIONAL SECURITY COUNCIL
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2201 C STREET, NW
WASHINGTON, DC 20520

DATE	TIME	SIGNATURE
9/24/90	2314	J. Zelikow

COPY: 1

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 5/15/09

DATE, TIME, SIGN THE RECEIPT AND RETURN TO: ~~NSC SECRETARIAT, ROOM 379 OEOB~~

NATIONAL SECURITY COUNCIL ID 9007591

REFERRAL DATE: 24 SEP 90

MEMORANDUM FOR: ROY, J

STATE SECRETARIAT

DOCUMENT DESCRIPTION: TO: PRESIDENT

9020780

SOURCE: MULRONEY, BRIAN 90 SEP-24 11:16 PM

DATE: 21 SEP 90

SUBJ: LTR TO PRES FM PM MULRONEY RE PARTICIPATION IN NORTH AMER FTA

REQUIRED ACTION: FOR RECOMS/DRAFT REPLY

DUEDATE: 27 SEP 90

COMMENT:

Walter E. Arm

FOR GEORGE VAN ERON

DIRECTOR NSC SECRETARIAT

UNCLASSIFIED

MEMORANDUM FOR BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Proposed Response by the President to a letter received from Prime Minister Mulroney

Attached please find a draft statement for the President's use in answering Prime Minister Mulroney's letter of September 21, 1990.

J. Stapleton Roy
Executive Secretary

Attachment:

Draft Response.

~~CONFIDENTIAL~~
NSC/S PROFILE

RECORD ID: 9008583
RECEIVED: 29 OCT 90 17

CHRON FILE

TO: SCOWCROFT

FROM: JOHNSON
MELBY
PRYCE

DOC DATE: 29 OCT 90
SOURCE REF:

2

KEYWORDS: DEMOCRACY PROGRAM
ECONOMIC ASSISTANCE
LATIN AMERICA
INTL TRADE

PERSONS:

SUBJECT: PARTNERSHIP FOR DEMOCARCY & DEVELOPMENT

ACTION: SCOWCROFT APPROVED RECOM DUE DATE: 01 NOV 90 STATUS: C

STAFF OFFICER: JOHNSON LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		JOHNSON
		MELBY
		NSC CHRON

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 6/15/09

COMMENTS:

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSGLM CLOSED BY: NSAMM DOC 1 OF 1

~~CONFIDENTIAL~~

Funding Partnerships for Democracy and Development

National Security Council
The White House

PROOFED BY: WEA LOG # 8583

URGENT ~~NOT~~ PROOFED: _____ SYSTEM (PRS) NSC INT

BYPASSED WW DESK: _____ DOCLOG LMS A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	1	✓	A
Bill Sittmann	2	copy ✓	
Bob Gates	3		
Brent Scowcroft	4 APNSA	Has Seen	
Bill Sittmann			
Situation Room			
West Wing Desk	5	LMS 10/30	N
NSC Secretariat	6		N/B

OCT 29 P7:41

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP

(Date/Time)

COMMENT Refer to Bill Sittmann @ NSC for concurrence
JBN
10-29-90

DISPATCH

~~CONFIDENTIAL~~ ~~CONFIDENTIAL~~ 8583

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/24

CHRON[redacted]

October 29, 1990

ACTION

Natl Sec Advisor has seen

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: WILLIAM T. PRYCE/TIMOTHY DEAL

FROM: DONALD C. JOHNSON/ERIC D. MELBY

SUBJECT: Funding for the Partnership for Democracy and Development

Before the President announced his Enterprise for the Americas initiative (EAI), Secretary Baker got the President's approval for a G-24 mechanism for Central America. Ever since, Treasury and State have been trying to work out the relationship between the two. Larry Eagleburger has spent a good deal of time with John Robson on this. He signaled you sometime back that he might look for your help.

The crosshatch cable at Tab A, which was coordinated by State and Treasury after arduous negotiations, would establish a Partnership for Democracy and Development (PDD) in Central America. State has been pressing us hard for rapid clearance, arguing that they want to invite countries to a Washington conference in mid-November to discuss this.

Aside from asking for a USTR clearance, which we are doing, two issues merit your attention. First, the question of funding. We believe OMB should clear on this cable, in view of the possible financial implications, and the Economic Directorate has given OMB a copy of the crosshatch and the State-Treasury Memorandum on how the PDD would work. Assistant Secretary Aronson and Deputy Secretary Eagleburger's office have told us that no new money is expected to be requested from Congress for the PDD. Under those circumstances, OMB should not have a problem with the cable. They will have to be consulted in the future if there is a move to enlarge the funding base of the EAI, a possibility mentioned in the State/Treasury agreement. Second, the priority of the President's initiative. We think it should be clear at the outset that funding for the President's EAI is our most important objective. This is not merely an academic issue: we have already requested European/Japanese financial assistance for Eastern Europe, the Persian Gulf, and EAI. Some of our partners have asked us how EAI and PDD fit together, wondering if they are going to be asked to contribute twice (we think they are and have no problem with this). We want to

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Declassify on: OADR ~~CONFIDENTIAL~~

have our partners contribute generously to aiding Central America, but we believe they should be made aware that EAI is our top Latin American priority, and that we want to fund EAI first.

We plan to propose language (clearly marked in the crosshatch) which would make the USG position clear. We believe State and Larry Eagleburger will object strenuously, preferring a fuzzier formulation, and we would like to know your thoughts on the matter before proposing the language. Treasury has cleared on the crosshatch, but is not particularly enthusiastic about it.

RECOMMENDATION

That you review the attached crosshatch cable and our suggested additions, and authorize us to clear the cable with the proposed change.

Approve V w/o proposed change Disapprove_____

Attachments
Tab A Crosshatch cable with proposed language
Tab B State-Treasury Memorandum on PDD

Prepare informal 10/30
Check w/ Prepare

WASHFAX RECEIPT
DEPARTMENT OF STATE

B

S/S #

12:36

MESSAGE NO. 057990 CLASSIFICATION UNCLASSIFIED No. Pages 8

FROM:	WRPEARSON	S/S	75302	7224
	(Officer name)	(Office symbol)	(Extension)	(Room number)

MESSAGE DESCRIPTION cable to GUATEMALA--THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA

TO: (Agency)	DELIVER TO:	Extension	Room No.
NSCS	WILLIAM SITTMANN	456-6534	WHSITRM
NSCS	KENNETH HILL	456-6534	WHSITRM
NSCS	EXECUTIVE SECRETARIAT	456-6534	WHSITRM
	PACE III		
	PRYCE		
	DEMP / MOBY		

FOR: CLEARANCE [XX] INFORMATION [ ] PER REQUEST [ ] COMMENT [ ]

REMARKS: clear 10/29

S/S Officer: BP

WRPEARSON

CROSSHATCH

RETURN TIME-STAMPED COVERSHEET TO S S.

ORIGINAL

UNCLASSIFIED

ARA/CEN:C S COCKBURN:CSC
10/23/90 X7-0087
ARA/FO:B ARONSON

ARA/FO:J SULLIVAN, EB:E MCALLISTER, AID/LAC:J MICHEL, D:K JUSTER,
C:M FOULON, P:C BLAKEMAN, EB/IFD:S GIBSON, EAP/J:J HIGHLAND,
EUR/RPE:A CARY, ARA/ECP:J HARRINGTON, TREASURY:J FALL,
NSC: , E:X WILKINSON C:RZOELLICK

IMMEDIATE GUATEMALA, MANAGUA IMMEDIATE, PANAMA IMMEDIATE,
SAN JOSE IMMEDIATE, SAN SALVADOR IMMEDIATE +
PRIORITY BELIZE, BOGOTA PRIORITY, CARACAS PRIORITY, MEXICO PRIORITY,
ALOEC

BRUSSELS ALSO FOR USEC

E.O. 12356: N/A

TAGS: ECIN, EAID, PREL, XK, JA

SUBJECT: THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA

BA
CSC
JS
EM
JM
KJ
MF
CB
SG
JH
AC
JH
JF
XW
RZ

UNCLASSIFIED

1. SUMMARY AND ACTION REQUESTED: AS ADDRESSEE POSTS ARE AWARE, CONSIDERABLE DISCUSSION AND ATTENTION HAVE BEEN GIVEN TO ESTABLISHING A MULTILATERAL PARTNERSHIP CONSISTING OF THE CENTRAL AMERICAN COUNTRIES, INDUSTRIALIZED AND INDUSTRIALIZING COUNTRIES OF EUROPE, JAPAN, CANADA, AND THE UNITED STATES, AS WELL AS THE LATIN AMERICAN PARTICIPANTS IN THE SAN JOSE ACCORDS. THIS NEW PARTNERSHIP, TERMED THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT, OR PDD, {ASOCIACION PARA LA DEMOCRACIA Y EL DESARROLLO EN CENTROAMERICA}, IS INTENDED TO BUILD ON THE PROGRESS MADE AT THE ANTIGUA, GUATEMALA SUMMIT AND TO EVOLVE INTO A PRODUCTIVE, RESULT-ORIENTED PARTNERSHIP OF ALL PARTICIPATING COUNTRIES, REGIONAL AND NON-REGIONAL. THE PDD WOULD HELP TO STRENGTHEN DEMOCRATIC INSTITUTIONS, PROMOTE AND PROTECT HUMAN RIGHTS, AND ENCOURAGE REGIONAL DEVELOPMENT AND DISARMAMENT. THE COORDINATED EFFORTS OF THE PARTNERSHIP TO SUPPORT DEMOCRATIZATION AND DEVELOPMENT IN CENTRAL AMERICA WILL SERVE AS A COMPLEMENT TO THE ENTERPRISE FOR THE AMERICAS INITIATIVE {EAI} IN ITS ENDEAVOR TO SUPPORT INCREASED TRADE, INVESTMENT AND GROWTH. U.S. OBJECTIVES FOR PARTICIPATION IN THE PARTNERSHIP, PARTICULARLY THE RELATIONSHIP BETWEEN THE PDD AND EAI, HAS BEEN COORDINATED BY STATE, TREASURY AND AID. INSERT ON FUNDING

2. AT THE EARLIEST POSSIBLE TIME, BUT NOT LATER THAN OCTOBER 30, AMBASSADORS/CHARGES IN ACTION ADDRESSEE POSTS ARE REQUESTED TO PROVIDE THE TEXT OF THE PDD PAPER {TEXT IN PARA 3} TO HOST GOVERNMENTS AT THE PRESIDENTIAL LEVEL AND SEEK/REPORT ANY INITIAL COMMENTS. PLEASE SLUG REPLIES FOR ATTENTION OF ARA/CEN, ARA/ECP, AID/LAC/CEN, AND D FOR JUSTER. IN MAKING THE PRESENTATION, YOU MAY ALSO DRAW ON THE TALKING POINTS IN PARA 4, WHICH ALSO SHOULD BE PROVIDED TO THE HOST GOVERNMENT. SUBSEQUENTLY, WE PLAN TO CONSULT FURTHER WITH OECD COUNTRIES, VENEZUELA, MEXICO AND COLOMBIA. WE ANTICIPATE A PRELIMINARY PDD SENIOR OFFICIALS' MEETING AT THE ASSISTANT SECRETARY LEVEL IN WASHINGTON ON NOVEMBER 19-20. AMBASSADOR/CHARGE SHOULD ENCOURAGE HIGH-LEVEL REPRESENTATION AT THIS INITIAL MEETING. SEPTEL WILL FOLLOW FOR INFO ADDRESSEES WITH INSTRUCTIONS TO MAKE A SIMILAR DEMARCHE. END SUMMARY AND ACTION REQUESTED

3. FOLLOWING IS THE TEXT OF A PAPER FOR "A PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA."

BEGIN TEXT:

PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT
IN CENTRAL AMERICA
(ASOCIACION PARA LA DEMOCRACIA Y EL DESARROLLO
EN CENTROAMERICA)

IN FULFILLMENT OF THE PROMISE OF THE ESQUIPULAS ACCORDS, ALL THE COUNTRIES OF CENTRAL AMERICA HAVE NOW ESTABLISHED DEMOCRATIC GOVERNMENTS AND ARE MOVING TOWARD MARKET-ORIENTED ECONOMIES. AS AGREED AT THEIR JUNE SUMMIT IN ANTIGUA, GUATEMALA, THE LEADERS OF CENTRAL AMERICA FIRMLY SUPPORT THE GOALS OF DEMOCRACY, SUSTAINABLE DEVELOPMENT, AND REGIONAL DISARMAMENT.

CENTRAL AMERICA'S SUCCESS IN ADVANCING THESE AIMS WILL DEPEND ON STRONG SUPPORT FROM THE INTERNATIONAL COMMUNITY. THE UNITED STATES HAS LAUNCHED THE ENTERPRISE FOR THE AMERICAS INITIATIVE (EAI) IN AN EFFORT TO BOLSTER THE DEMOCRATIC AND MARKET-ORIENTED TRANSITION THROUGHOUT LATIN AMERICA AND THE CARIBBEAN. IN ADDITION, THE UNITED STATES BELIEVES IT WOULD BE VERY USEFUL FOR THERE TO BE A COMPANION MULTILATERAL PARTNERSHIP TO PROVIDE FOCUSED SUPPORT FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA. THIS PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT (PDD) WOULD PROVIDE SUPPORT FOR THE COUNTRIES PARTICIPATING IN THE CENTRAL AMERICAN PEACE PROCESS -- COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, NICARAGUA, AND PANAMA. IT MIGHT LATER BE EXTENDED TO INCLUDE BELIZE. THE UNITED STATES VIEWS THE PDD AS A COMPLEMENTARY PROGRAM TO THE EAI, AND BOTH AS MUTUALLY SUPPORTIVE EFFORTS TO PROMOTE DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA.

THE PARTNERSHIP WOULD BRING TOGETHER THE CENTRAL AMERICAN COUNTRIES, THE INDUSTRIALIZED COUNTRIES OF EUROPE, JAPAN, CANADA, AND THE UNITED STATES, AS WELL AS MEXICO, VENEZUELA AND COLOMBIA (AS PARTICIPANTS IN THE SAN JOSE ACCORDS) TO REVIEW AND ENCOURAGE THE REGIONAL DEMOCRATIZATION AND DEVELOPMENT PROCESS ALREADY UNDERWAY IN CENTRAL AMERICA.

THE PARTNERSHIP WOULD HELP TO STRENGTHEN DEMOCRATIC INSTITUTIONS, PROMOTE AND PROTECT HUMAN RIGHTS, AND ENCOURAGE REGIONAL ECONOMIC DEVELOPMENT AND DISARMAMENT. THE OBJECTIVE WOULD BE FOR PARTICIPATING COUNTRIES TO FIND WAYS TO SUPPORT THE STRENGTHENING OF DEMOCRATIC TRENDS AND REGIONAL STABILITY, AND TO REVIEW POSSIBLE MEANS TO INCREASE SUPPORT FOR DEMOCRATIC INSTITUTIONS AND PROCEDURES. THE COORDINATED EFFORTS OF THE PARTNERSHIP WOULD SEEK TO MOBILIZE INTERNATIONAL RESOURCES AND ACTIVITIES IN PROMOTING REGIONAL DEMOCRATIZATION AND DEVELOPMENT.

INSERT PARA ON FUNDING

THE ENTERPRISE FOR THE AMERICAS INITIATIVE WILL PROVIDE CRITICAL SUPPORT FOR EFFORTS BY THE CENTRAL AMERICAN COUNTRIES TO IMPROVE GROWTH AND DEVELOPMENT. IT IS THE CENTERPIECE FOR U.S.-LATIN AMERICAN EFFORTS TO PROMOTE ECONOMIC OPPORTUNITY AND REFORM. IT ALSO RESPONDS TO THE NEEDS IDENTIFIED AT THE ANTIGUA, GUATEMALA SUMMIT OF CENTRAL AMERICAN PRESIDENTS FOR ADDITIONAL EFFORTS TO PROMOTE TRADE, INVESTMENT, AND REGIONAL INTEGRATION.

THE CENTRAL AMERICAN COUNTRIES IN PARTICULAR STAND TO BENEFIT FROM THIS INITIATIVE.

-- THE REDUCTION OF OFFICIAL BILATERAL DEBT OWED THE UNITED STATES GOVERNMENT WILL PRODUCE GREAT BENEFITS FOR THE CENTRAL AMERICAN COUNTRIES.

-- A MULTILATERAL INVESTMENT FUND ESTABLISHED IN THE INTER-AMERICAN DEVELOPMENT BANK WILL CONCENTRATE A SIZEABLE PORTION OF ITS RESOURCES AND HAVE A SIGNIFICANT IMPACT ON CENTRAL AMERICAN NATIONS IN NEED OF TECHNICAL ASSISTANCE AND OTHER SUPPORT FOR THEIR EFFORTS TO REFORM INVESTMENT REGIMES, PRIVATIZE GOVERNMENT-OWNED INDUSTRIES, AND ATTRACT CAPITAL.

-- THE CENTRAL AMERICAN NATIONS ALSO HAVE A VEHICLE UNDER THE EAI FOR SUPPORTING TRADE AND INVESTMENT REFORMS, DEVELOPING FRAMEWORK AGREEMENTS ON TRADE AND INVESTMENT, AND WORKING TOWARD AN EVENTUAL FREE TRADE AGREEMENT.

THESE MEASURES AND OTHER ELEMENTS OF THE EAI WILL BUTTRESS THE EFFORTS OF THE CENTRAL AMERICAN COUNTRIES TO FOLLOW THROUGH ON THEIR COMMITMENTS TO MARKET-BASED ECONOMIC POLICIES AND WILL HELP THEM ACHIEVE A NUMBER OF OBJECTIVES THAT ARE IMPORTANT TO STRENGTHENING DEMOCRACY, INCLUDING STRONGER ECONOMIC GROWTH AND IMPROVED STANDARDS OF LIVING FOR THEIR PEOPLE.

THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT WOULD FOCUS ATTENTION ON THE NEED FOR INCREASED TRADE ACCESS OF CENTRAL AMERICAN COUNTRIES TO MARKETS IN PDD MEMBER COUNTRIES. THE PARTNERSHIP WOULD ALSO PROVIDE A FORUM FOR PARTICIPATING COUNTRIES TO DISCUSS REGIONAL ECONOMIC POLICIES AND INTEGRATION EFFORTS, IN CONJUNCTION WITH INTER-AMERICAN DEVELOPMENT BANK/WORLD BANK CONSULTATIVE GROUPS.

ED BILATERAL DEVELOPMENT ASSISTANCE IS ALSO AN
COMPONENT AND COMPLEMENT TO THE PEACE PROCESS AND
ATION IN CENTRAL AMERICA AND IS AN ESSENTIAL ELEMENT
RM STABILITY AND GROWTH. MULTILATERAL ASSISTANCE IN
MUST BE WELL-COORDINATED TO SUPPORT EFFECTIVELY
VELOPMENT NEEDS IN THE REGION. WITH THIS IN MIND,
RSHIP COULD CONSIDER A CATALYST ROLE FOR THE
ICAN DEVELOPMENT BANK TO ASSIST IN THE COORDINATION
IALIZED NATION ASSISTANCE. THIS COULD BE DONE
E CREATION OF A NEW CONSULTATIVE GROUP FOR CENTRAL
N CLOSE COOPERATION WITH THE WORLD BANK, OR THROUGH
ANISMS.

RTNERSHIP WOULD CONVENE PERIODIC MEETINGS AT THE
ERTS LEVEL WITH REPRESENTATIVES FROM CENTRAL AMERICA,
INDUSTRIALIZED COUNTRIES OF EUROPE, JAPAN, CANADA,
STATES, AND MEXICO, VENEZUELA AND COLOMBIA (AS
TS IN THE SAN JOSE ACCORDS). THESE MEETINGS WOULD
ORA FOR ESTABLISHING OBJECTIVES AND SHARING
N ON PROGRAMS AND ACTIVITIES IN SUPPORT OF DEMOCRACY
PMENT. IT IS ALSO ANTICIPATED THAT THERE WOULD BE A
-LEVEL MEETING TO FORMULATE SPECIFIC, COORDINATED,
Y JOINT, PROGRAMS, SUCH AS REGIONAL DISARMAMENT
, TO STRENGTHEN DEMOCRATIZATION AND DEVELOPMENT. THE
P'S WORK WOULD BE CLOSELY COORDINATED WITH FUND
ERATIONS TO AVOID PLACING COMPETING DEMANDS ON
PARTICIPANTS.

; POINTS:

RY BAKER DISCUSSED THE GENERAL IDEA FOR THIS
WITH YOU AT ANTIGUA, GUATEMALA IN JUNE AND HAS HAD
DISCUSSIONS WITH INDUSTRIALIZED COUNTRIES AT THE
ERIAL IN JULY. THE IDEA WAS WELCOMED, AND
COMMENT WAS HIGHLY FAVORABLE.

TO PRESENT YOU TODAY A COPY OF A PAPER WHICH
IR THINKING ON A MULTILATERAL MECHANISM TO SUPPORT
TION AND DEVELOPMENT IN CENTRAL AMERICA AND ITS
RY RELATIONSHIP TO THE ENTERPRISE FOR THE AMERICAS
(EAI).

CALLING THE MECHANISM A PARTNERSHIP FOR DEMOCRACY
MENT (PDD) IN CENTRAL AMERICA AND INTEND FOR IT TO
E PROGRESS MADE AT THE ANTIGUA, GUATEMALA SUMMIT AND
NTO A PRODUCTIVE, RESULT-ORIENTED PARTNERSHIP.

0 THE UNITED STATES IS PREPARED TO HOST AN INITIAL PDD MEETING AND TO PROVIDE LOGISTICAL SUPPORT. THE PARTNERSHIP COULD ALSO DRAW ON TECHNICAL AND ADMINISTRATIVE SUPPORT FROM THE INTERNATIONAL FINANCIAL INSTITUTIONS. SUBSEQUENT MEETINGS COULD BE HOSTED BY REGIONAL AND NON-REGIONAL COUNTRIES.

0 WE PROPOSE A SENIOR EXPERTS MEETING IN WASHINGTON NOVEMBER 19-20 TO ENABLE US TO DISCUSS THE PROPOSAL IN GREATER DETAIL. THE AGENDA FOR THIS MEETING COULD INCLUDE, FOR EXAMPLE, DISCUSSION OF THE OBJECTIVES OF THE PARTNERSHIP, CONSIDERATION OF CREATING A CLEARINGHOUSE FOR INFORMATION ON ASSISTANCE PROGRAMS AND ACTIVITIES IN SUPPORT OF DEMOCRACY AND DEVELOPMENT, AND CONSIDERATION OF ORGANIZING ONE OR TWO WORKING GROUPS ON SELECTED ISSUES. THIS MEETING COULD ENABLE US TO DISCUSS AND REACH AGREEMENT ON THE PDD PROPOSAL FOR PRESENTATION TO THE CENTRAL AMERICAN PRESIDENTS AT THE SUMMIT IN DECEMBER.

0 WE HOPE THAT YOU WILL SEND A SENIOR REPRESENTATIVE TO THE MEETING IN WASHINGTON ON NOVEMBER 19-20. ASSISTANT SECRETARY ARONSON AND OTHER ADMINISTRATION OFFICIALS WILL PARTICIPATE IN THE INITIAL MEETING. YOUR GOVERNMENT'S SENIOR REPRESENTATION AT THIS MEETING WOULD GREATLY HELP TO ADVANCE THE PROPOSED MULTILATERAL APPROACH.

0 WE WELCOME YOUR THOUGHTS ON THIS INITIATIVE.

YY

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~~CONFIDENTIAL~~

The PDD program does not involve new levels of U.S. assistance beyond existing economic development programs (bilateral and multilateral), and the assistance which may become available through the debt-reduction and investment portions of EAI. As the President noted in his June 27 speech on EAI, we will seek Japanese and European contributions to the investment portion of the EAI initiative. We will seek contributions of $100 million per year for 5 years from Europe, and an equivalent amount from Japan. We will of course give priority to funding of the EAI by both the USG and other sources. However, we also contemplate seeking additional flows of assistance to Central America from Europe and Japan. Once the US meets EAI funding targets, the U.S. will seek to provide additional funds for PDD.

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 3/1/24

The PDD program does not involve new levels of U.S. assistance beyond existing economic development programs (bilateral and multilateral), and the assistance which may become available through the debt-reduction and investment portions of EAI. As the President noted in his June 27 speech on EAI, we will seek Japanese and European contributions to the investment portion of the EAI initiative. We will seek contributions of $100 million per year for 5 years from Europe, and an equivalent amount from Japan. We will of course give priority to funding of the EAI by both the USG and other sources. However, we also contemplate seeking additional flows of assistance to Central America from Europe and Japan. ~~Once the US meets EAI funding targets, the U.S. will seek to provide additional funds for PDD~~.

THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

October 24, 1990

'90 OCT 24 P6:54

Honorable Lawrence Eagleburger
Deputy Secretary of State
Washington, D. C. 20520

Dear Larry:

Enclosed is a paper that reflects the discussions at our meeting last Thursday and our further refinements of the fundraising options.

We will be happy to visit with you and your people about this initiative if you wish.

Best regards.

Sincerely,

John E. Robson

Enclosure

cc: Secretary Brady
David Mulford
Charles Dallara

CONCEPT PAPER

Support for Political and Economic Reform in Central America

Recent political and economic changes in Central America hold great hope for the process of strengthening democracy, supporting regional disarmament, and facilitating economic growth. Although all the countries of Central America have established democratic governments and appear to be embracing more market-oriented economies, democratic institutions in the region continue to be quite fragile while economic prospects remain tenuous.

The seven countries of Central America urgently need strategic political support and reinforcement, together with broadened support for regional development, investment and trade reform, and market-based economic policies. We must be prepared to catalyze such support through a multi-faceted effort. To do so will require close cooperation among the Department of State, the Department of Treasury, and AID with a view to providing a foundation from which to build and encourage multilateral support for the region.

The following provides the substantive and presentational context for dealing with efforts to meet the needs of Central America through the Enterprise for the Americas Initiative (EAI) and the Partnership for Democracy and Development (PDD). Efforts to advance the PDD would be presented in the broader context of ongoing implementation of the EAI.

The Enterprise for the Americas Initiative

President Bush announced in June the Enterprise for the Americas Initiative (EAI). This Presidential Initiative is an effort to support democratic and market-oriented transitions throughout Latin America and the Caribbean. It is designed to accomplish this task through the promotion of increased trade, investment, growth and development throughout the hemisphere -- as well as closer ties between the United States and its neighbors. It is the centerpiece for U.S.-Latin American efforts to promote economic growth and directly support democracy through increased economic opportunity.

The countries of Central America, in particular, stand to benefit from the measures proposed under the EAI to increase investment and reduce official bilateral debt burdens.

- The reduction of official bilateral debt owed the United States government will produce greater benefits for Central American countries which owe a substantial portion of their external debt to official creditors, particularly the United States.

- The nations of Central America nations have nearly 40% of their external debt in the form of obligations to bilateral official creditors. The Central American nations as a group (excluding Nicaragua) owe 51% of this debt to the United States.

- The Central American nations also have a vehicle under the EAI for mobilizing support for trade and investment reforms, discussing these issues with the United States, developing framework agreements on trade and investment, and concluding an eventual free trade agreement between Central America and the United States.

- Under the Enterprise for the Americas Initiative, a multilateral investment fund was to be established in the Inter-American Development Bank (IDB). As originally conceived, this fund would have concentrated a sizeable portion of its resources on smaller countries where it would have had a measurable impact, such as Central American nations in need of technical assistance and other support for their efforts to attract capital.

These measures and other elements of the EAI will buttress the efforts of Central American countries to follow through on their commitments to market-based economic policies and will help them to achieve a number of objectives that are important to strengthening democracy, including stronger economic growth and improved standards of living for their people.

Partnership for Democracy and Development in Central America

We believe it would be very useful to provide a complementary and supportive framework, multilateral in orientation, to accompany the EAI but targeted exclusively on Central America. This effort would seek to mobilize international resources and activities to complement those of the United States in promoting regional democratization and development. This companion effort would require close cooperation among the Department of State, the Department of Treasury, and AID.

The vehicle for the companion effort would be a multilateral **Partnership for Democracy and Development in Central America (PDD)** to provide support for democratization and development in the countries participating in the Central American peace process -- Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. It might later be extended to include Belize. The Partnership, through its multilateral orientation, could supplement and reinforce the fund-raising efforts for the EAI and thereby strengthen the EAI in Central America. The Partnership could also focus attention on the need for increased trade access of Central American countries to markets in PDD member countries.

The Partnership would bring together the industrialized countries of Europe, Japan, with the United States and selected other large democracies in the Western Hemisphere. These nations would join together to review and encourage the regional democratization and development process already underway in Central American countries. It would help Central Americans to strengthen democratic institutions, promote and protect human rights, and encourage regional development and disarmament. The objective would be for participating countries to find ways to strengthen democratic trends and regional stability, and to review possible means to increase their support for democratic institutions and procedures -- including free and fair elections, free speech and free press, respect for human rights, the administration of justice, and the rule of law.

Central America has paid a high price for conflict, political violence, and arms buildups. The Partnership would explore opportunities for assistance to Central America in support of increased civilian control over military institutions, an increased sensitivity to human rights among both military and police, and the successful assimilation into civilian society for those leaving the military forces.

At the Antigua, Guatemala summit, the Central American Presidents also identified the path to growth and development as increased trade and investment and outward looking regional integration. The Partnership would encourage member countries to support the EAI in order to achieve these objectives and to open their markets to Central American countries, thus enhancing the orientation toward outward looking regional integration. In addition, the Partnership would provide a forum for participating countries to discuss and focus attention on regional economic policies and integration efforts, in cooperation with World Bank/Inter-American Development Bank consultative groups.

The Partnership would convene periodic meetings at the senior experts level with representatives from Central America, interested industrialized countries of Europe, Japan and the Americas (including Mexico, Venezuela and Colombia as participants in the San Jose Accords). These meetings would serve as fora for establishing objectives and sharing information on programs and activities in support of democracy and development. It is also anticipated that there would be a ministerial-level meeting to formulate specific, coordinated, and possibly joint programs, such as regional disarmament activities, to strengthen regional democratization and development. The Partnership's work would be closely coordinated with other fund raising operations to avoid placing competing demands on potential donors. Issues relating to US policy positions within the World Bank IDB and the IMF would continue to be handled in the traditional manner.

Mobilizing Financial Support for Central America

The original $500 million contribution by the United States for the multilateral investment fund and the $1.5 billion total for the fund as formulated in the President's announcement and in the legislation transmitted to Congress would remain unchanged.

To reduce potential confusion over multiple U.S. fund-raising efforts on behalf of Central America (in support of the PDD) and on behalf of Latin America and the Caribbean (for the EAI), we may wish to consider several options for structuring fund-raising efforts and administering financial support. One such option would be to rely on the traditional consultative group type of mechanism. Other approaches would be to enlarge the funding base and broaden the scope of the $1.5 billion multilateral investment fund envisioned by the EAI. This could be done by creating two separate but complementary funds or by structuring a single, dual-purpose fund with separate windows to more directly target the distinct needs addressed by the PDD and EAI.

-- A Consultative Group Approach

Successful economic development is an important component of and complement to the peace process and is an essential element in longer-term stability and growth. The Inter-American Development Bank could serve as a focal point for helping advance development through enhanced bilateral development assistance. Specifically, the IDB could assist in better coordination of industrialized nation support for ongoing development needs through the creation of a new Consultative Group for Central America to be led by the IDB in close cooperation with the World Bank. Such a process would build on traditional means for coordinating development assistance. The U.S. government role in this process would be managed through the traditional channels used for U.S. relations with the multilateral development banks.

It should be noted that the IDB's coordination role with respect to the Consultative Group would be separate and distinct from its role in managing its own investment sector lending program and any multilateral fund for investment. The Consultative Group effort would, however, closely complement other efforts.

-- A Dual Fund Approach

Consideration could be given to restructuring the multilateral investment fund envisioned by the EAI into two separate and distinct funds. The first would be the **Enterprise Fund for Investment** in the IDB as originally called for in the EAI with a funding target of $1.5 billion. A second, separate fund would be created for the PDD, to be known as the **PDD Fund for Democracy and Development in Central America.** This fund would operate under a separate multilateral mandate for the benefit of Central America.

The **Enterprise Fund for Investment** would correspond to the original multilateral investment fund that was to be developed in the IDB in response to the Enterprise for the Americas Initiative. In the EAI, up to $1.5 billion was to be mobilized over a five-year period to provide support for investment policy reforms and privatization throughout the hemisphere. These funds will support investment reforms and will provide support for privatization programs. They will also be used to cover technical assistance in support of privatization and worker training, education, and social dislocation expenditures for workers displaced through the privatization process. The **Enterprise Fund for Investment** will be funded through contributions from the United States, Europe, Japan, and Canada.

The **Fund for Democracy and Development in Central America** would provide and/or coordinate assistance targeted specifically and exclusively for Central America to help strengthen democratization and development in those seven countries. Funds available under this facility would be used as grants to ease direct dislocation costs of demobilizing military and paramilitary forces in Central America, to foster development of micro-businesses through establishment of revolving capital funds, to support democratization through education and support of electoral and judicial reform, and to provide other, similar support for democratization and development. Some funding for this fund might be obtained from Latin American countries with strong political interests in the Central American region.

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 9008262
RECEIVED: 17 OCT 90 10

TO: PRESIDENT

CHRON FILE

2

FROM: SCOWCROFT

DOC DATE: 05 NOV 90
SOURCE REF:

KEYWORDS: INTL FINANCE
CHILE
CM
URUGUAY
VENEZUELA

PERSONS:

SUBJECT: INTL DEBT / URUGUAY & CHILE

ACTION: NOTED BY PRES DUE DATE: 20 OCT 90 STATUS: C

STAFF OFFICER: DEAL LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		DEAL
		NSC CHRON

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSMEN CLOSED BY: NSGLM DOC 3 OF 3

UNCLASSIFIED

Internet's Debt
Uruguay +
Chile

National Security Council
The White House

PROOFED BY: MEN LOG # 8262

URGENT NOT PROOFED: _____ SYSTEM (PRS) NSC INT

BYPASSED WW DESK: _____ DOCLOG 54 A/O _____

WEST Side

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	1		A
Bill Sittmann	2	W	
Bob Gates	3		
Brent Scowcroft	4		
Bill Sittmann		Natl Sec Advisor has seen	
Situation Room			
West Wing Desk	5	LNS 11/5	D
NSC Secretariat	6	SLM 11/7	N

90 OCT 26 P3:13

A = Action | I = Information | D = Dispatch | R = Retain | N = No further Action

cc: VP Sununu Other _____

Should be seen by: _____ (Date/Time)

COMMENTS NSC/S

Pres Noted

DISPATCH INSTRUCTIONS:

THE WHITE HOUSE
WASHINGTON

November 6, 1990

MR. PRESIDENT:

Apologies for the time this took to reach you. I have spoken with NSC to ensure that, in the future, letters from Cabinet members get more speedy treatment. This should have reached you the day it was sent.

Jim

THE PRESIDENT HAS SEEN
8262

THE WHITE HOUSE

WASHINGTON

90 NOV -5 PM 8:18

November 5, 1990

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: International Debt: Uruguay and Chile

Attached at Tab A is a memorandum to you from Secretary Brady, reporting that both Uruguay and Chile have reached agreement in principle with commercial creditors for either restructuring or rescheduling outstanding commercial debt.

Secretary Brady had originally suggested a congratulatory telephone call to Uruguayan President Lacalle. Treasury, State and NSC now agree that a cabled message from you, when the deal is finally concluded, would fill the bill.

Attachment
Tab A Memo from Brady

cc: The Vice President
Chief of Staff

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

October 26, 1990

NOTED

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: TIMOTHY E. DEAL

SUBJECT: International Debt: Uruguay and Chile

Secretary Brady has sent the President a short memorandum (Tab A) reporting on debt negotiations between commercial banks and the Uruguayan and Chilean governments. Brady suggested a possible Presidential call to Uruguayan President Lacalle to congratulate him on reaching agreement in principle with the commercial banks on a debt restructuring package. In accordance with your guidance to Bill Pryce, we plan to send a telegraphic message once the deal is concluded.

The memorandum at Tab I transmits Brady's paper, noting plans for a telegraphic message once the deal is concluded.

Concurrence by: Don Johnson

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments
Tab I Memo to the President
Tab A Memo from Brady

THE SECRETARY OF THE TREASURY
WASHINGTON

#8262

October 16, 1990

MEMORANDUM FOR **THE PRESIDENT**

FROM: NICHOLAS F. BRADY

SUBJECT: URUGUAY AND CHILE

Uruguay reached agreement in principle with commercial bank creditors last Friday. The deal will restructure all of Uruguay's commercial bank debt, provide significant debt reduction and provide new money on terms very similar to those in the Venezuela deal. This is a major step forward for Uruguay and represents another success for the debt strategy. Although Uruguay is a small country, it will be a major beneficiary of that strategy.

You may wish to telephone congratulations to President Lacalle. He worked hard to move Uruguay forward and personally met with banks in New York to help the deal along. He has also lobbied on the Hill for your Enterprise for the Americas Initiative. I know he would welcome a call.

Chile also recently reached agreement with its creditor banks on a deal that will reschedule that country's bank debt and return Chile to voluntary market-based lending from commercial banks. When this deal is completed, Chile will become the first Latin country to "graduate" from the ranks of troubled debtors.

These developments in Uruguay and Chile underscore the continued progress in getting Latin America's economic and financial house in order.