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Folder Title:

[September/October 1997 Travel] [Binder] [2]

Staff Office-Individual:

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. list	Brazil - POTUS Deliverables (2 pages)	09/15/1997	P1/b(1)
002. cable	Re: Brazilian Deputy Foreign Minister on POTUS Trip and Other Issues (4 pages)	09/15/1997	P1/b(1)
003. briefing paper	U.S. Trade Objectives for POTUS Trip to Brazil (2 pages)	09/26/1997	P1/b(1)
004. briefing paper	Brazil: Brazilian Economic and Financial Situation (1 page)	ca. 09/1997	P1/b(1)
005. briefing paper	Brazil: UNSC Reform (1 page)	ca. 09/1997	P1/b(1)
006. list	Argentina Deliverables List (3 pages)	09/26/1997	P1/b(1)
007. cable	Re: Meeting the Argetine Opposition (2 pages)	09/25/1997	P1/b(1)
008. briefing paper	Argentina: U.S.-Argentina Trade Relations (1 page)	ca. 09/1997	P1/b(1)
009. briefing paper	U.S. Trade Objectives for POTUS Trip to Argentina (2 pages)	09/26/1997	P1/b(1)
010. briefing paper	Argentina: U.S.-Argentine Security Cooperation (1 page)	ca. 09/1997	P1/b(1)
011. briefing paper	Argentina: Political Situation and Elections (1 page)	ca. 09/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
 Special Envoy for the Americas
 Farnsworth, Eric
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FOLDER TITLE:

[September/October 1997 Travel] [Binder] [2]

2009-1155-F
 kc2546

RESTRICTION CODES

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

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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012. briefing paper	Argentina: Falklands/Malvinas and Relations with the United Kingdom (1 page)	ca. 09/1997	P1/b(1)
013. list	Venezuela Deliverables (3 pages)	09/24/1997	P1/b(1)
014. briefing paper	Venezuela: Political Situation (1 page)	ca. 09/1997	P1/b(1)

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IMMEDIATE

UNCLASSIFIED

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WHITE HOUSE SITUATION ROOM

PAGE 01 OF 04

TO: COSGRIFF DAVIES ELKON MCLARTY RICEE ROSENTHAL STEINBERG-A
FROM: DELAURENTIS DESOUZA DOBBINS HAINES HOFMANNK KYLE LEE PICCONE SIGLER
SUM2 TARULLO
SIT: NSC

<PREC> IMMEDIATE <CLAS> UNCLASSIFIED <DTG> 250224Z SEP 97

FM SECSTATE WASHDC

TO RUEHBR/AMEMBASSY BRASILIA IMMEDIATE 0000
INFO RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 0000
RUEHCV/AMEMBASSY CARACAS PRIORITY 0000
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 0000
UNCLAS STATE 180359

① Nelson
② G...
③ ...

BRASILIA AIRES FOR CHARGE BUENOS AIRES FOR CHARGE

E.O. 12958: N/A
TAGS: ETRD, OVIP (CLINTON, WILLIAM J.), AR, BR
SUBJECT: PRESIDENTIAL TRIP TEAM: ITA, GLOBAL ELECTRONIC
COMMERCE INITIATIVE, AND RIO SCHOOL EVENT

REF: (A) BRAINARD/DERHAM TELECON 9/23/97, (B) LEWIS/KENNEDY
TELECON 9/24/97

THERE IS CONSIDERABLE INTEREST IN WASHINGTON TO EXPLORE
THE POSSIBILITY OF ADDING THE GLOBAL ELECTRONIC COMMERCE
(GEC) INITIATIVE AND THE INFORMATION TECHNOLOGY AGREEMENT
(ITA) TO THE AGENDA FOR THE PRESIDENT'S TRIP TO BRAZIL. WE
WOULD PROPOSE SENDING A TEAM TO DISCUSS THESE ISSUES WITH
BRAZILIANS NEXT MONDAY AND TUESDAY, SEPT 29-30, 1997. ONE
OR TWO TEAM MEMBERS WILL ALSO NEED TO TALK ABOUT
ARRANGEMENTS FOR THE EDUCATION EVENT IN RIO AT THE MANGUEIRA
SCHOOL. AMBASSADOR IS REQUESTED TO DEMARCHE APPROPRIATE
OFFICIALS AND REPORT BACK THEIR COMMENTS ON TEAM'S VISIT TO
DEPT (ARA/EPSC AND ARA/BSC), USTR AND WHITE HOUSE FOR NEC.
BACKGROUND AND TALKING POINTS FOR AMBASSADOR'S USE FOLLOW
STARTING IN PARA 3.

2. TEAM ALSO PROPOSES TO TRAVEL TO BUENOS AIRES OCTOBER 1,
1997 IN ORDER TO TALK WITH ARGENTINE OFFICIALS ABOUT GEC
AND ITA. PLEASE MODIFY TALKING POINTS IN PARA - B AND - C
ACCORDINGLY. EMBASSY BUENOS AIRES SHOULD EXCLUDE
PARTNERSHIP FOR EDUCATION TALKING POINTS, PARA V A, FROM
DEMARCHE.

I. US/BRAZIL PARTNERSHIP FOR EDUCATION EVENT

3. WE WANT TO HIGHLIGHT BRAZIL'S INFORMATION TECHNOLOGY
ADVANCES AND THE TWO PRESIDENTS' COMMITMENT TO BETTER
EDUCATION FOR OUR COUNTRIES' PEOPLES. THE PRESIDENT'S

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PAGE 02 OF 04

APPEARANCE AT THE MANGUETRA SCHOOL COULD BECOME AN ELECTRONIC MEETING ON THE INTERNET OR ON THE "NET" TOGETHER WITH A SATELLITE HOOKUP BETWEEN PRESIDENT CLINTON, PRESIDENT CARDOSO -- IF HIS SCHEDULE PERMITS -- PELE AND CHILDREN FROM MANGUETRA AND A SCHOOL IN THE US.

II. US/BRAZIL TECHNOLOGY INITIATIVE

4. ADDITIONALLY WE WOULD LIKE TO EXPLORE THE POSSIBILITY OF USING THE PRESIDENT'S VISIT AND BRAZIL'S TECHNOLOGICAL CAPABILITIES TO CREATE NEW OPPORTUNITIES FOR BOTH COUNTRIES IN TWO OTHER AREAS.

S. THE CLINTON ADMINISTRATION HAS UNDERTAKEN A NEW IMPORTANT INITIATIVE TO HELP SUPPORT THE SUPPORT GLOBAL TRADE IN INFORMATION, GOODS AND SERVICES ACROSS THE INTERNET. JUST AS A LARGELY UNREGULATED INTERNET HAS CREATED NEW VISTAS IN EDUCATION, WE BELIEVE IT OPENS THE WAY TO TREMENDOUS OPPORTUNITIES IN ELECTRONIC COMMERCE. DURING THE PRESIDENT'S VISIT TO BRAZIL, WE WOULD LIKE TO GET A COMMITMENT FROM BRAZIL TO KEEP ITS INTERNET RELATIVELY UNFETTERED AND UNTAXED SO THAT ELECTRONIC COMMERCE IN BOTH GOODS AND SERVICES MAY FLOURISH.

6. WE WANT TO EXTEND THE BENEFITS OF CONNECTIVITY IN THE INFORMATION AGE, AND THE COMMUNITY OF NATIONS MUST ENSURE THAT PEOPLE HAVE ACCESS TO THE EQUIPMENT THEY NEED TO PUT THEMSELVES "ON-LINE." WE MUST STRIVE TO BRING DOWN EQUIPMENT COSTS AND INCREASE COMPETITION AMONG THE MAKERS OF ELECTRONIC COMPONENTS AND EQUIPMENT. ONE OF THE MOST EFFECTIVE TOOLS WE HAVE FOR THIS TASK IS THE INFORMATION

TECHNOLOGY AGREEMENT(ITA). FOR THE PRESIDENT'S VISIT WE WANT TO ENCOURAGE A COMMITMENT FROM BRAZIL TO NEGOTIATE ITS ENTRY INTO ITA.

7. TALKING POINTS:

A. US/BRAZIL PARTNERSHIP FOR EDUCATION

-- OUR TWO COUNTRIES ARE IN THE FINAL STAGES OF CONCLUDING OUR PARTNERSHIP FOR EDUCATION. AMONG THE AREAS IT SPECIFIES FOR COOPERATION IS USING TECHNOLOGY FOR EDUCATION.

-- BRAZIL HAS UNDERTAKEN A TRULY INNOVATE AND AMBITIOUS PROGRAM TO PUT COMPUTERS IN SCHOOLS ACROSS THE COUNTRY.

-- IF YOU AGREE, WE WOULD LIKE TO HIGHLIGHT THE IMPORTANCE BOTH OUR COUNTRIES PLACE ON USING INFORMATION TECHNOLOGY IN EDUCATION DURING PRESIDENT CLINTON'S VISIT TO RIO DE

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ANEIRO. PRESIDENT CLINTON, PRESIDENT CARDOSO -- HIS SCHEDULE PERMITTING -- PELE AND CHILDREN FROM THE SCHOOL COULD MEET ON THE INTERNET AND/OR BY SATELLITE WITH CHILDREN FROM US SCHOOLS.

-- WE WOULD LIKE TO SEND AN EXPERT TEAM TO BRAZIL NEXT MONDAY AND TUESDAY TO DISCUSS THIS PROPOSAL. IT WOULD ALSO INCLUDE EXPERTS ON TWO OTHER REAS.

B. GLOBAL ELECTRONIC COMMERCE (GEC)

-- COMMERCE OVER THE INTERNET WILL BE AN IMPORTANT ENGINE OF GROWTH FOR THE WORLD ECONOMY IN THE 21ST CENTURY.

-- FOR THIS DIGITAL ECONOMY TO FLOURISH, THE PRIVATE SECTOR MUST CONTINUE TO LEAD, WITH GOVERNMENTS ALLOWING ELECTRONIC COMMERCE TO BE A MARKET-DRIVEN ACTIVITY.

-- TO THIS END, GOVERNMENTS AND THE PRIVATE SECTORS WORLDWIDE NEED TO WORK TOGETHER TO ENSURE A PREDICTABLE GLOBAL LEGAL AND COMMERCIAL ENVIRONMENT FOR THE CONDUCT OF BUSINESS ON THE INTERNET.

-- OUR PRESIDENTS CAN PROVIDE CRITICAL LEADERSHIP TO SUPPORT DEVELOPMENT OF ELECTRONIC COMMERCE. WE PROPOSE TO SEND A TEAM OF U.S. EXPERTS TO BRASILIA NEXT WEEK TO

DISCUSS HOW WE CAN TAKE ADVANTAGE OF PRESIDENT CLINTON'S VISIT NEXT MONTH TO ADVANCE OUR SHARED INTEREST IN NURTURING THE EMERGING DIGITAL GLOBAL MARKETPLACE. THE TEAM WOULD BE PREPARED TO DISCUSS GENERAL PRINCIPLES THAT COULD FORM THE BASIS OF A JOINT PRESS RELEASE OR JOINT STATEMENT IN SUPPORT OF GLOBAL ELECTRONIC COMMERCE, AS WELL AS SOME CONCRETE AREAS WHERE OUR NATIONS MIGHT ADVANCE THE DEVELOPMENT OF GLOBAL ELECTRONIC COMMERCE.

C. INFORMATION TECHNOLOGY AGREEMENT (ITA)

-- GENEVA IN MARCH, 1997. THE 43 COUNTRIES THAT ARE PARTICIPATING IN THE ITA REPRESENT THE VANGUARD OF THE MOVE TO AN INFORMATION SOCIETY.

-- BRAZIL'S ECONOMY HAS MUCH TO GAIN FROM PARTICIPATING IN THE ITA. THE ELIMINATION OF CUSTOMS BARRIERS WILL HELP CONSUMERS AND BUSINESSES ACROSS YOUR ECONOMY JOIN THE INFORMATION AGE BY LOWERING COSTS, SPURRING INNOVATION, INCREASING PRODUCTIVITY, EXPANDING TRADE, INCREASING THE SPREAD OF TECHNOLOGY, AND PROMOTING INTERREGIONAL INDUSTRIAL COOPERATION. THIS IS IMPORTANT TO EVERY ECONOMY INCLUDING YOURS.

THE ITA ALSO HAS SYMBOLIC IMPORTANCE. PARTICIPATION IN

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THE ITA IS SEEN BY MANY AS AN INDICATION OF THE COUNTRY'S COMMITMENT TO TRADE LIBERALIZATION AND ECONOMIC MODERNIZATION. IT IS ALSO SEEN BY MANY AS A SIGNAL TO POTENTIAL INVESTORS THAT THE COUNTRY IS COMMITTED TO OPEN ECONOMIC POLICIES.

-- BECAUSE OF ITS DYNAMIC IT INDUSTRY, BRAZIL BELONGS IN THE ITA. WE WOULD BE VERY PLEASED IF PRESIDENT CLINTON'S VISIT COULD BE THE OCCASION WHEN BRAZIL ANNOUNCES IT WILL GIVE IMMEDIATE CONSIDERATION TO JOINING THE ITA. S COMMITMENT TO NEGOTIATE ENTRY INTO THE ITA.

8. PROPOSED TEAM MEMBERS ARE:

A. PETER ALLGEIER
ASSOCIATE US TRADE REPRESENTATIVE, WESTERN HEMISPHERE
TEL: (202) 395 6135

B. TOM KALIL
SENIOR DIRECTOR

NATIONAL ECONOMIC COUNCIL
THE WHITE HOUSE
TEL: (202) 456 5351

DAVID LANE
DIRECTOR OFFICE OF POLICY AND STRATEGIC PLANNING
DEPARTMENT OF COMMERCE
TEL: (202) 482 4127

D. PATRICK DESOUZA
DIRECTOR FOR INTERAMERICAN AFFAIRS
NATIONAL SECURITY COUNCIL
THE WHITE HOUSE
TEL: (202) 456 9135
TALBOTT
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FACT SHEET: U.S.-BRAZIL RELATIONS

The United States was the first country to recognize Brazil's independence in 1822. The two countries have traditionally enjoyed friendly, active relations encompassing a broad political and economic agenda. With the inauguration of the internationally-oriented, reformist President Cardoso on January 1, 1995, US-Brazil engagement and cooperation have intensified. This is reflected in the unprecedented number of high-level contacts between the two governments, including President Cardoso's state visit to Washington in April 1995, visits to Brazil by First Lady Hillary Clinton, former Secretary of State Christopher, the late Secretary of Commerce Ronald Brown and other Cabinet-level U.S. officials, and numerous trips to Washington by senior Brazilian officials.

There has been extensive cooperation on a number of issues of mutual interest. On law enforcement, a new agreement for cooperation in counternarcotics was signed in March 1995, and the two governments are negotiating a Mutual Legal Assistance Treaty (MLAT) to be signed during President Clinton's visit, which will assist in combating international crime. Additionally, Brazil has asked for U.S. assistance in controlling the inflow of illegal weapons and we are exploring ways to assist.

On the trade front, we are consulting closely to advance toward a Free Trade Area of the Americas (FTAA) and to develop closer ties between NAFTA and Mercosul. Brazil is a key player in hemispheric efforts to negotiate an FTAA by 2005, and hosted the May 1997 FTAA Trade Ministerial in Belo Horizonte.

Several security and diplomatic initiatives are also underway. Brazil -- along with the U.S., Argentina, and Chile -- is one of the four guarantors of the Peru-Ecuador peace process and has agreed to provide helicopter support commencing in December 1997. Additionally, we have coordinated closely our responses to threats to Paraguay's fragile democracy over the past 18 months.

Relations are advancing in scientific and technical fields as well. In October, 1995, the two countries signed a Common Agenda on the Environment, laying the foundation for cooperative efforts in environmental protection. US and Brazilian officials are currently developing an education initiative to be announced during President Clinton's visit. In June, President Cardoso announced Brazil's intention to join the Nuclear Nonproliferation Treaty (Brazil is already a member of the Missile Technology Control Regime and Nuclear Supplier's Group) and we intend to conclude a Bilateral Nuclear Agreement during the visit as well as further develop a Space Cooperation agreement.

BRAZIL: U.S.-BRAZIL TRADE RELATIONS

Liberalization of Brazil's trade regime has led to a surge in imports that has increased the current account deficit. By 1996, Brazilian imports had more than doubled their 1993 level. Brazil's overall trade deficit for 1997 is projected to grow to \$12 billion, a sharp increase over previous years. This trade deficit stems partly from the import of capital goods and raw materials for economic restructuring. U.S. exports to Brazil rose by 56 percent between 1994 and 1996. In 1996 we imported \$8.8 billion from Brazil while sending \$12.7 billion in exports.

The U.S. is Brazil's largest trading partner, in fact, larger than MERCOSUL, the Andean Pact, the Central American Common Market and CARICOM combined. The two countries enjoy a generally healthy trading relationship. Brazilian trade complaints -- which have a high public profile in Brazil -- focus on U.S. market access for footwear, steel, and various agricultural exports. Brazil claims that combined U.S. barriers against sugar, tobacco, meat, shrimp, orange juice and fruit exports cost Brazil \$5 billion per year. Some of these imports are limited by phytosanitary and environmental protection guidelines.

The U.S. has urged Brazil to liberalize markets in information technology and financial services and end its restriction on short-term loans for importers. Brazil's recent passage of intellectual property legislation eased an area of friction. However, Brazil remains on the USG's "301 Watch List" because its existing IPR legislation does not adequately protect software, copyrights or computer circuits.

Brazil has opened the telecommunications market, but regulatory obstacles remain (e.g. fiber optic cable) and it has not yet joined the Information Technology Agreement. The U.S. Federal Maritime Commission has opened a case on several discriminatory practices against U.S. shipping companies. Brazil enacted an auto regime which clearly violated its commitments under the WTO Trade-Related Investment Measures (TRIMS) Agreement, but some progress has been made in recent talks.

TALKING POINTS

- I am very pleased with the strong trading partnership we have with Brazil which has become one of our most important.
- I know you have a number of concerns over market access issues for footwear, steel and various agricultural products such as sugar, tobacco, meat, orange juice and others. I am confident that we will resolve the frictions that normally arise between countries with high levels of trade.
- We will also continue to seek greater liberalization in the areas of financial services, autos, optical fiber, import financing restrictions, intellectual property, maritime shipping and other areas.

BRAZIL: BRAZIL AND THE FTAA

Brazil defines its approach to FTAA negotiations largely through MERCOSUL, the Southern Common Market, of which it is the undisputed heavyweight member. MERCOSUL is a trading bloc comprised of Brazil, Argentina, Uruguay and Paraguay, and associate members Chile and Bolivia. Created in 1991, MERCOSUL came into force as a partial customs union in 1995 with the establishment of a common external tariff and the liberalization of most intra-regional trade. The MERCOSUL free trade area has a combined GDP of over \$1.1 trillion.

MERCOSUL's institutional structure remains weak and, to safeguard its dominance, Brazil has consistently opposed other members' efforts to deepen the trading bloc into a full common market. Recently, Brazil has imposed several unilateral trade measures that have antagonized other MERCOSUL members. In the absence of U.S. fast-track authority, Brazil has pushed MERCOSUL to expand its reach. In 1995, it signed a framework agreement with the EU leading to EU-MERCOSUL trade talks scheduled for 1999. In 1996, MERCOSUL added Bolivia and Chile as associate members. MERCOSUL and the Andean Community are pressing for a free-trade agreement (FTA) by year-end. MERCOSUL is also discussing FTAs with Canada, Mexico and South Africa. In 1997, the MERCOSUL members agreed to negotiate as a bloc on FTAA issues.

Brazilian media reports routinely portray the U.S. as trying to use the promise of a free trade agreement with Chile and Major Non-NATO Ally status for Argentina to drive wedges between Southern Cone nations in an effort to destroy MERCOSUL.

TALKING POINTS:

- We support Brazil's efforts to strengthen and expand MERCOSUL to the extent that these efforts are trade liberalizing and WTO-consistent.
- To forge the hemispheric economic partnership of an FTAA, we should commit to a simultaneous launch of negotiations on all issues with everything on the table and a clear, unequivocal focus on the ultimate goal of free trade.
- As we agreed in Miami, it is of utmost importance to achieve concrete progress by the end of the century. This can be achieved by agreeing to a very significant package of interim agreements by the year 2000.
- To fulfill Miami's vision of prosperity for the Americas, we must address worker rights and environmental concerns of all citizens that the fruits of free trade benefit as many as possible in the FTAA process.

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Special Envoy for the Americas
Farnsworth, Eric
OA/Box Number: CF 1047

FOLDER TITLE:

[September/October 1997 Travel] [Binder] [2]

2009-1155-F
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RESTRICTION CODES

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

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

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BRAZIL: BRAZIL'S ROLE IN PEACEKEEPING AND REGIONAL SECURITY

As part of its policy to demonstrate greater responsibility in international fora, Brazil has become a ready contributor to UN-sponsored peacekeeping missions, particularly in Portuguese-speaking countries of Africa, and in regional security arrangements such as the Multilateral Observer Mission in Peru-Ecuador (MOMEPE). Brazil recently had the seventh largest national contingent among UN forces worldwide.

From 1992-94, Brazil contributed some 750 troops and the first commander to the UNOMOT peacekeeping force in Mozambique. Brazil later contributed over 1100 troops to the UNAVEM-III force in Angola. Brazilian troops in Africa won high marks for their professionalism and for their skill in mediating local disputes. Small contingents of Brazilian troops have also served with UN forces in the former Yugoslavia; several Brazilians were among the UNPROFOR forces taken hostage in Bosnia in 1995. Brazil has expressed an interest in participating in the African Crisis Response Initiative (ACRI).

Regionally, Brazil plays an important role in MOMEPE; addition to joining Argentina, Chile, and the United States in providing observers, a Brazilian general serves as the senior representative on the observer team. In the coming months Brazil will expand its MOMEPE participation, for example, by taking over the aviation support function from the US in early December. Their contribution to the Peru-Ecuador mission reflects the GOB's growing interest in participating in international peacekeeping operations.

Preparations are already underway for transferring the MOMEPE aviation support function from the U.S. to Brazil. In July, the GOB purchased four helicopters (the civilian version of the Blackhawk) from Sikorsky and ten pilots and ten aviation crew chiefs are now training in Troy, Alabama. They are expected to be available in early December, thereby allowing the U.S. to drawdown its troop contributions. Follow-on training for the Brazilians will be necessary to continue the aviation support mission.

TALKING POINTS

- Praise President Cardoso for the outstanding service of his military in international peacekeeping and regional security operations.
- The training of Brazilian helicopter pilots in the U.S. is going well and we are optimistic that everything is on track for an early December transfer of MOMEPE aviation support functions from the U.S. to Brazil.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. briefing paper	Brazil: UNSC Reform (1 page)	ca. 09/1997	P1/b(1)

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BRAZIL: EDUCATION AND TECHNOLOGY

Brazil and the US are formalizing the "U.S./Brazil Partnership for Education" covering five broad areas of cooperation: technology; standards, assessments and indicators; professional development of teachers and school managers; educational exchanges; and enhancing civil society's role in education. The Partnership will be launched during your visit. President Cardoso has given educational reform top priority and made his longtime political advisor and friend, Paulo Renato Souza, Minister of Education.

For years, under Brazil's federal system, federal universities have received the bulk of the national education budget and the vast majority of their students from prestigious private schools. Public schools have been poorly funded by states and localities. UN agencies say Brazil has the world's fifth worst primary completion rate. Blame lies with low funding, union pressures, high grade repetition rates and poor teacher preparation.

The Partnership's five areas focus on practical, achievable projects; the technology area merits some explanation. It envisions using computers and other distance learning media for language and science teachers, student networks like Project GLOBE, and Internet applications. Brazil also wants to cooperate on the Next Generation Internet Initiative (NGII), including high bandwidth testbed experiments. Indeed Brazil is one of the few countries in the hemisphere that can undertake such an initiative. However, the cost will be high, if it is done, about \$10 million a year, and Brazil is debating internally whether to make this kind of commitment to what is a research project at this stage.

TALKING POINTS

- Your interest and mine in giving our people the best education opportunities opens the door to wide-ranging cooperation in this area. The US/Brazil Partnership for Education is a great way to highlight this.
- Effective education should better prepare our people for the workplace of the 21st Century and enhance civic participation in our democratic societies.

BRAZIL: U.S.-BRAZIL ENVIRONMENTAL AGENDA

Rain Forests/Biodiversity: The Food and Agriculture Organization estimates almost one quarter of all tropical rain forest loss occurs in Brazil. You are scheduled to announce a new \$10 million package from USAID for a highly innovative, \$280 million Pilot Program to Conserve the Brazilian Rain Forest (PPG-7), which is funded by the G-7 nations. Since 1993, USAID has provided over \$30 million to protect rain forests and biodiversity, including in the biodiversity-rich and highly threatened Atlantic Coastal Rain Forest. Other potential USG assistance for Brazil's rain forest includes current negotiations for NASA to loan Brazil a C-130 aircraft for enhanced remote sensing capabilities and participation in the Brazilian-led Large Scale Biosphere-Atmosphere Experiment in Amazonia (LBA), to be undertaken by NASA, the EU and, potentially, organizations from other countries. (See Brazil: Space Cooperation for details).

Common Agenda/Other Environmental Cooperation: In October 1993, the U.S. and Brazil signed a Common Agenda for the Environment to cooperate in promoting environmental protection and sustainable development, as well as to encourage technical cooperation and information exchange. The fourth annual meeting is tentatively scheduled for March 1998 in Brazil. Discussions include both "green" (biodiversity, forest, endangered species) and urban "brown" issues, such as solid waste and waste water management. Since the 1996 Bolivia Sustainable Development Summit, the U.S., Brazil, and Mexico have collaborated to develop a hemispheric Inter-American Biodiversity Information Network which will link databases that are presently incompatible, facilitating the scientific exchange of information throughout the region. NOAA and Brazil are leading a multilateral initiative to establish an International Research Institute for Climate Prediction to research the effects of El Niño weather phenomenon, which causes severe droughts and flooding particularly in eastern Brazil. During your trip, the U.S. Parks Service plans to sign a sister parks agreement between the Everglades and the Pantanal, the largest wetlands in Latin America. EPA is assisting the Sao Paulo state environmental agency to improve its technical capability in waste water management.

• **Problem Areas:** Shortly after your visit, we will be required to announce a ban on shrimp exports until Brazil's shrimping industry can take adequate measures, such as turtle excluder devices on its nets, to protect sea turtles. Brazil is the largest Latin America emitter of greenhouse gases and the third largest developing country source of CO2 in the world, particularly from deforestation. Brazil's cooperation in climate change negotiations is therefore vital. USAID's Brazil program promotes U.S. clean energy and energy efficiency technologies, which address climate change. Brazil strongly opposes obligations for developing countries and not open to the use of Joint Implementation as a means of using the private sector for transferring clean energy technologies.

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TALKING POINTS

- I congratulate you on your leadership in vigorously addressing the issue of management of your vast forests. We see the Pilot Program to Conserve the Brazilian Rain Forest and look to it as a model that, once proven in Brazil, might be profitably exported to other developing countries.
- I look forward to continued close cooperation on a wide range of environmental issues and projects, from wetlands and forests to climate change.

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Shrimp Imports from Brazil and Sea Turtle Conservation

Background

U.S. LEGISLATION: Section 609 of P.L. 101-162 requires that the Department of State certify each year to Congress that nations exporting shrimp to the U.S. have sea turtle conservation programs comparable to the U.S. program, whose main element is the required use of TEDs by shrimp vessels. Brazil was not certified in 1996 because its regulations did not require all its commercial vessels to use TEDs.

Brazil was certified in March of 1997, after expanding its TEDs requirement to include all vessels over 11 meters, but a U.S. team that visited Santos, Sao Luis and Belem August 20-25 boarded 40 boats and found only one with an acceptable TED. In 1994 and 1995 the National Marine Fisheries Service conducted five workshops in Brazil; we have offered additional training at a NMFS facility in Pascagoula if Brazil funds the travel and expenses of its experts.

We have asked Brazil to explain what efforts it intends to take to improve enforcement of its TEDs regulation. Without improvements, U.S. imports of most of Brazil's wild-harvested shrimp will likely be embargoed.

WTO CHALLENGE: Malaysia, Thailand, India and Pakistan have challenged Section 609 as inconsistent with U.S. obligations under GATT 1994. The matter is now before a WTO dispute settlement panel with a decision now scheduled for March 30.

Talking Points

-- We continue to share with Brazil the strong commitment to sea turtle conservation embodied in the Inter-American Convention for the Protection and Conservation of Sea Turtles concluded in Salvador do Bahia in 1996, which both our nations signed, and we look forward to close cooperation regarding its implementation once it enters into force.

-- As you know, the Convention will require proper enforcement of sea turtle excluder device (TED) regulations.

-- Moreover, United States Public Law 101-162 requires that nations exporting shrimp to the U.S. have a sea turtle conservation program comparable to the U.S. program whose chief element is the required use of TEDs.

-- We understand that, while Brazilian regulations require the use of TEDs, in fact, most of the Brazilian commercial shrimp fleet is not doing so. Given this situation, it will be difficult for Brazil to continue to be eligible to export to the U.S. shrimp caught by large commercial shrimp vessels.

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BRAZIL: COUNTERNARCOTICS AND LAW ENFORCEMENT ISSUES

Brazilian counternarcotics cooperation was stymied last year when a judicial official, unbeknownst to the Foreign Minister, neglected to sign a \$710,000 counternarcotics cooperation agreement with the U.S. Despite this unfortunate oversight, Brazilian activity in counternarcotics efforts has been sustained.

For example, Brazil carried out information exchange programs with Colombian and Peruvian police in an Amazon region area vulnerable to drug traffickers who traverse the area via the region's multitude of rivers.

Brazil continued investigative efforts to monitor and arrest major traffickers in its country. Concerning extradition, Brazil responded quickly to a U.S. request to better control a major Colombian trafficker, Mery Valencia, and to extradite her to the U.S. at our request.

A money laundering bill advanced from the lower house of Congress to the Senate, demonstrating the country's fledgling efforts to attack that illicit industry, closely connected to international drug trafficking.

Finally, Brazil maintained an intensive effort in demand reduction programs to protect its youth from the destructive influence of the illicit narcotics trade.

TALKING POINTS:

- Congratulations on your government's impressive arrest of major Brazilian trafficker Antonio Mota-Graca.
- I am aware that Brazilian police persevered and carried out a one-year-plus investigation to catch this criminal and his wife, also involved in international drug trafficking.
- Your efforts, with USG assistance, to protect the youth of Brazil are crucial to the future of the hemisphere. I commend you for carrying out intensive demand reduction programs to save youth from the malevolence of international drug traffickers.
- The bilateral counternarcotics program that focuses on therapeutic community-building for at-risk youth promises to enrich both our continents by saving them from the scourge of international narcotics trafficking.
- I look forward to our continued close cooperation in combating drug trafficking, one of our most critical mutual threats in the hemisphere.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. list	Argentina Deliverables List (3 pages)	09/26/1997	P1/b(1)

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Special Envoy for the Americas
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007. cable	Re: Meeting the Argetine Opposition (2 pages)	09/25/1997	P1/b(1)

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FACT SHEET: U.S.-ARGENTINA RELATIONS

The United States and Argentina enjoy a close bilateral relationship, although this was not always the case. President Menem's efforts to open Argentina's economy and realign its foreign policy have been major factors in this improvement. Since Menem took office in 1989, Argentina has repeatedly supported U.S. interests and policies. Argentina usually votes with the U.S. in the United Nations and has participated in UN Security Council-mandated multilateral force deployments to Haiti and the former Yugoslavia. The Menem administration supports the U.S. campaign to improve human rights practices and democratic rule in Cuba and joins with the U.S. in international disarmament efforts from nuclear supply to control of missile technology.

As the political relationship improved, economic relations blossomed. The United States is now Argentina's leading source of imports and rivals Brazil as Argentina's largest trading partner. The United States currently enjoys a \$2 billion trade surplus with Argentina. In 1994, the United States and Argentina signed a bilateral investment treaty. U.S. foreign direct investment is valued at more than \$10 billion and growing. Both EXIMBANK and the Overseas Private Investment Corporation support high-value business projects to expand U.S. trade to and investment in Argentina.

A few unresolved trade disputes remain. The leading issue is the need to ensure adequate protection of intellectual property rights within Argentina. On the Argentine side, local producers seek improved access to U.S. markets for agricultural goods such as peanuts and citrus.

Argentina's efforts to reform its military and shift its focus to peacekeeping operations have gained support of the U.S. military. Cooperation has increased dramatically, as evidenced by U.S.-Argentina joint military exercises held recently in Argentina and increased Argentine participation in International Military Education and Training Fund programs. To cement a better security relationship, Argentina has sought major non-NATO ally status designation. The U.S. has not made an announcement on this issue.

There has been broad collaboration on other fronts. In 1996, the U.S. and Argentina signed bilateral agreements facilitating cooperation on space and nuclear issues. Argentina has actively supported U.S. environmental positions in various international fora, and works closely with the U.S. on antiterrorism issues, both bilaterally and through the Summit of the Americas process.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
008. briefing paper	Argentina: U.S.-Argentina Trade Relations (1 page)	ca. 09/1997	P1/b(1)

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009. briefing paper	U.S. Trade Objectives for POTUS Trip to Argentina (2 pages)	09/26/1997	P1/b(1)

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011. briefing paper	Argentina: Political Situation and Elections (1 page)	ca. 09/1997	P1/b(1)

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012. briefing paper	Argentina: Falklands/Malvinas and Relations with the United Kingdom (1 page)	ca. 09/1997	P1/b(1)

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U.S.-ARGENTINA - OPEN SKIES

Since 1992, the U.S. has negotiated 25 Open Skies agreements with countries in Europe, Asia, Central America, and the Caribbean. An Open Skies agreement gives carriers from both countries open route rights, with no limits on the number of carriers, capacity, or frequency. Carriers are free to set prices based on market conditions. We are trying to promote Open Skies as a global standard.

To date, we have not concluded any Open Skies agreement in South America, although discussions have begun with Chile. Argentina is a potentially large aviation market where our relations are governed by a restrictive agreement that imposes numerical caps on service and limits points served. An Open Skies agreement with Argentina would not only be commercially valuable in its own right, but could catalyze similar agreements on the continent.

American Airlines and Aerolineas Argentinas have indicated an interest in forming an alliance. In this respect, U.S. Department of Transportation officials told Argentina Economy Minister Roque Fernandez and Cabinet Chief Rodriguez in August that even a limited alliance without anti-trust immunity would raise serious competitive questions in the context of our very restrictive civil aviation agreement with Argentina. Upon his return to Buenos Aires, Roque Fernandez stated publicly that Argentina was willing to begin Open Skies negotiations soon.

Our Embassy's efforts to secure a commitment to Open Skies negotiations has received a tepid response from Argentine civil aviation officials. The President's visit represents a unique opportunity to gain President Menem's pledge to begin negotiations.

Talking Points

-- Our civil aviation relations do not do justice to the tremendous progress we have made in our overall relationship.

-- Our bilateral agreement places severe limits on service between our countries, unnecessarily limiting travel and the broader trade and investment relations that air transport facilitates.

-- An Open Skies agreement would lift restraints that repress our bilateral aviation market.

-- Such an agreement would be very much in the spirit of economic liberalization that your government has pursued.

-- We are prepared to phase in parts of the agreement so that the market has time to adjust to a new set of rules.

J. OK

NEWS: LATIN AMERICA AND THE CARIBBEAN

Inflation boost for Brazil

By Geoff Dyer in São Paulo

Two indices of consumer prices in Brazil during August, which were released yesterday, provided further evidence of the continuing reduction in inflationary pressures in the economy.

The National Consumer Prices Index (INPC), compiled by the National Statistics Institute (IBGE), fell 0.03 per cent in August, after a rise of 0.18 per cent in July. Over the last 12 months the INPC index, which measures the cost of living for families earning up to R\$960 (\$879) month, rose 4.3 per cent, against an increase of 4.85 per cent in the twelve months to the end of July.

The Wider Consumer Prices Index (IPCA), also compiled by the IBGE and based on families earning up to R\$4,800 a month, was down 0.02 per cent in August, after rising 0.54 per cent in July. Over the last year the IPCA index was 5.59 per cent higher.

The figures are good news because, as well as providing proof prices are under control, the continuing drop in inflation will allow it to depreciate the currency in real terms at a faster rate, taking some pressure off exporters. The Real currently depreciates by about 8 per cent a year in nominal terms against the US dollar.



Granillo Ocampo: judges working in an outdated system AP

Argentina tries to do justice to demands for legal reform

Barely a week passes in Argentina without at least one demonstration calling for "justice".

The motives range from outrage at the murder of a photographer in January to demands for progress in the investigation of the 1994 bombing of a Jewish cultural centre in Buenos Aires.

A host of other unsolved crimes, and allegations of a lack of independence among judges, jostle for attention in the newspapers.

The International Monetary Fund, with which Argentina is negotiating a three-year extended fund facility, and the World Bank have been placing increasing emphasis on issues such as corruption and judicial uncertainty as factors holding back development.

The apparent lack of legal security is also a concern among foreign investors. The Chamber of Mines last month put advertisements in the national press pleading for President Carlos Menem to intervene after Catamarca province sought to increase its share of mining royalties above the level in the 1993 mining law.

There has also been controversy in the form of contradictory rulings affecting companies, and conflicts between national and provincial laws.

The government recognises it can no longer ignore the clamour for change. However, it disputes that a lack of independence on the part of judges is the main

problem facing the legal system. "I believe that the majority of judges are honourable and independent," says the justice minister, Raúl Granillo Ocampo. "But they are working in a system from the last century. It gives rise to a lot of delays and detours, and means that judicial procedure has become inefficient."

Mr Granillo Ocampo last month announced a plan aimed at simplifying court procedures, introducing new technology, and taking some

delays - at a price. A move to more oral as opposed to written testimony is also being considered.

In another key reform, the government has agreed to back existing plans, held up in Congress, to create an independent body to appoint judges, on the basis of open competition, and oversee their performance.

The government says it has had a positive reaction from multilateral institutions to its proposals. Once the details of the reform

On judicial insecurity for investors, Mr Granillo Ocampo denied that the problems were worse in Argentina than in other countries, pointing to the strong flows of foreign investment to back his point.

"In the case of mining, the state guarantees the investing companies that we will meet the agreed conditions of the investment," he said. "If the provinces modify them, we are responsible for compensating the companies for whatever modification is made."

He also attacks the view, commonplace in the local media, that Argentina is incapable of resolving complex, high-profile criminal cases. He cites the murder of the news photographer José Luis Cabezas as an example.

"Within a few months of the murder, we believe we have arrested those responsible for physically carrying out the crime, and the case is proceeding normally. This is not a case of impunity."

On the 1992 bombing of the Israeli embassy in Buenos Aires and the attack on the Jewish cultural centre two years later, Mr Granillo Ocampo recognises the lack of progress. Some 115 people died in the two bombings.

"The lack of concrete results is not satisfactory. It shows us at our most powerless. But it also shows the powerlessness of those who have come to our aid," he said in an apparent allusion to the role of US and Israeli intelligence services.

There is a clamour for change, writes Ken Warn

of the case burden off judges. It proposes widespread use of alternative conflict-solving procedures, such as mediation and arbitration, which fall short of going to full trial.

It also proposes creating a small claims court, where cases involving relatively small sums of money, or disagreements among neighbours, can be dealt with quickly. "These cases really don't require the full panoply of the law," he said.

In addition, the government wants to improve the training of legal officials and introduce more computerisation. Argentine courts generate mountains of paper work and documents can often simply be spirited away by middlemen to generate

package have been worked out, it is to seek about \$300m-\$400m in funding from the World Bank and Inter-American Development Bank to implement them.

Some of the proposed reforms could be carried out very quickly, while others required changes to the law and would take longer, the minister said. "But we expect the bulk of the programme to be completed in 1½ to 2 years."

Mr Granillo Ocampo believes it is highly unlikely that the IMF will set specific targets in this area for Argentina in the new funding agreement. "But there are definitely conversations about how the workings of our institutions can be improved," he said.

Colombia to raise \$800m from electricity sell-off

By Adam Thomson in Bogotá

The Colombian government is to sell off 48 per cent of the country's

in the Bogotá electricity company (EEB) through a capitalisation process which forms part of the government's continued policy of

eneration and distribution company in the country, accounting for approximately 25 per cent of the entire sector. And it has the fast-

erity losses and improving "rather than concentrating on new investments," said Stephen Edkins, utilities analyst at

will then turn into a holding company. "The change in structure will give investors a clearer concept of the company's operations."

bought the C hydro-electric plant, with open capacity of 1,000 MW for \$645m. Together, the two companies now account for

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013. list	Venezuela Deliverables (3 pages)	09/24/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
Special Envoy for the Americas
Farnsworth, Eric
OA/Box Number: CF 1047

FOLDER TITLE:

[September/October 1997 Travel] [Binder] [2]

2009-1155-F
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RESTRICTION CODES

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VENEZUELA: FACT SHEET ON U.S.-VENEZUELAN RELATIONS

Close U.S.-Venezuelan relations are founded on a strong mutual commitment to constitutional democracy, hemispheric integration, economic liberalization, and counternarcotics cooperation.

Venezuela has an unbroken tradition of civilian democratic rule since 1958, though it suffered through a period of political turbulence from 1989 to 1994 during which there were two coup attempts and the impeachment of a president. President Caldera, elected in December 1993, used his personal stature and reputation for incorruptibility to restore political stability and social peace.

The Caldera Government has made hemispheric cooperation a foreign policy priority and has been working closely with the United States on the Summit of the Americas initiative. President Caldera championed the OAS Anti-Corruption Convention and has been an active proponent of energy integration. Venezuela also participates in the UN Friends of Haiti, El Salvador, and Guatemala groups.

Venezuela is the United States' top supplier of foreign oil, both crude oil and refined petroleum products, boosting production when necessary, as during the Gulf War. Conversely, Venezuela is the largest export market for U.S. oil and gas goods and services. The United States is Venezuela's leading trade partner. In 1996, the United States posted \$4.7 billion in exports (about 45 percent of Venezuela's total imports) and purchased \$12.9 billion in imports (about 55 percent of Venezuela's total exports).

The Venezuelan economy is making a comeback under President Caldera's economic reform plan, "Agenda Venezuela," propelled by the opening of the petroleum sector to foreign investment and an ambitious privatization program. This has created new trade and investment opportunities for U.S. companies which have shown intense interest in the reactivation of marginal oil fields, oil exploration and production concessions, and extra-heavy oil strategic associations.

Venezuela and the United States have an important counternarcotics cooperation program designed to interdict the transit of Colombian cocaine en route to the U.S. and Europe, and the laundering of drug trafficking proceeds. Since 1993 we have spent \$2.3 million dollars on counternarcotics training and technical assistance programs. In FY 1997, the United States allocated \$600,000 in counternarcotics assistance aimed at detecting drugs, eradicating poppy fields, and strengthening the judicial system. In addition, the United States plans to deliver excess military equipment worth \$12.25 million to the Venezuelan armed forces for counternarcotics use.

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VENEZUELA: U.S.-VENEZUELA TRADE RELATIONS

The U.S. is Venezuela's principal trading partner, while Venezuela is the leading foreign supplier of U.S. oil.

Symbiotic relationship. Venezuela belongs to a free-trade bloc (the Andean Community) and continues to negotiate preferential trade agreements with other Latin American countries, but the U.S. remains its main trading partner. Venezuela's primary export to the U.S. is oil (\$8.7 billion in 1996), but even in terms of non-oil trade, the U.S. is Venezuela's second largest export market (after Colombia). Venezuela buys almost half of its imports from the U.S. The U.S. ran an \$8.2 billion trade deficit with Venezuela in 1996, but excluding oil, the balance was in the U.S.' favor. The U.S. is Venezuela's largest supplier of goods, services and technology in the oil industry.

Diminishing list of trade issues. A number of bilateral trade problems have been addressed over the past few months. These include the end of the tuna embargo under the amended Marine Mammals Protection Act, and issuance of a new EPA regulation on gasoline imports that meets the terms of a WTO case brought by Venezuela. In addition, a suspension agreement in the U.S. countervailing duty investigation against SIDOR, a state-owned steel company, now appears likely.

Civil aviation dispute. The FAA determined that Venezuela's air safety oversight structure does not meet internationally-agreed standards, and thus placed Venezuela in (conditional) Category II of its international aviation safety program. This ranking limits Venezuelan carriers to current levels of service to the United States until the GOV brings its safety oversight capability into compliance with international standards. Although this freeze results entirely from safety considerations, the GOV has reacted by denying U.S. airline requests to increase service to Venezuela. The U.S. maintains that the GOV's actions violate our bilateral civil aviation agreement.

TALKING POINTS

- Venezuela has been a reliable trading partner, especially in the supply of oil.
- Bilateral trade relations are excellent, with the exception of an ongoing civil aviation dispute.
- Commerce and safety are separate issues. Venezuela should approve new route requests by U.S. airlines as provided in our bilateral air transport agreement.

U.S. Trade Objectives for POTUS Trip to Venezuela

- o The President of the United States may wish to discuss his vision of how we can best prepare our citizens to thrive in the global economy of the 21st century. President Clinton believes this vision requires bringing the benefits of trade and technology to all members of our societies. Toward that end, he may encourage Venezuela to embrace initiatives that contribute to the dynamism of the vital information technology sector, pursue vigorously negotiations toward the Free Trade Area of the Americas (FTAA) and advance the important work of the World Trade Organization (WTO).
- o Information technology is of critical importance for the competitiveness of our economies and the economic prospects of our people in the 21st century. Just as a market-driven Internet has created new vistas in education, so too it opens the way to tremendous opportunities in electronic commerce. We would encourage the Government of Venezuela to embrace the principle that the private sector must lead in the development of the Internet, and to pledge to refrain from imposing tariffs on electronic transmissions that constitute commerce over the Internet. In order to fully extend the benefits of connectivity to all our people in the information age, we would also encourage you to consider Venezuela's joining immediately the Information Technology Agreement (ITA).
- o On the FTAA, we support for the launch of comprehensive negotiations at the April 1998 Santiago Summit, with the initiation of negotiations simultaneously on all subjects identified in Miami Declaration and Plan of Action. Can you confirm that this is your government's position as well?
- o We agreed in the Miami Declaration to achieve concrete progress by the turn of the century. In our view this should include full implementation of Uruguay Round commitments to create the "floor" for the FTAA; business facilitation; and interim agreements that ultimately will be part of a comprehensive, balanced FTAA constituting a single undertaking. What are your views on this?
- o On the issues of trade and the environment, it is worth remembering that at the Miami Summit we agreed to "strive to make trade liberalization and environment policies mutually supportive" and to "further secure the observance and promotion of worker rights." We believe these mandates require that labor and the environment be addressed in an appropriate manner in the FTAA process. We would also welcome statements from our FTAA partners that they are open to the views of all elements of civil society regarding the FTAA negotiations.

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014. briefing paper	Venezuela: Political Situation (1 page)	ca. 09/1997	P1/b(1)

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VENEZUELA: AGENDA VENEZUELA

In April 1996, the GOV adopted the "Agenda Venezuela," a sweeping program of economic reform. Price, exchange, and interest rate controls were eliminated, and domestic fuel prices were raised in line with world prices in 1996 and 1997. Venezuela negotiated a stand-by agreement with the International Monetary Fund, gaining the Fund's support for politically difficult reforms. In 1997, the Caldera Administration presided over a historic reform of the severance payments system which diminished the disincentives to job creation and formal employment.

The GOV has taken other steps to open the economy to foreign investors. Venezuela continued the opening of its state-owned petroleum sector to foreign investment, promoting establishment of massive new joint ventures and reactivation of inactive oil fields. U.S. firms have been major participants in the oil opening with concessions totaling nearly \$15 billion. Venezuelan financial authorities have also succeeded in reprivatizing virtually all major banks and insurance companies nationalized in the wake of a deep financial crisis in 1994. Foreign investors are now the largest players in both banking and insurance.

The reform has yielded positive results in terms of lower inflation and, with last year's rise in oil export prices, a small government budget surplus. Macroeconomic stabilization has exacted a price, with Venezuela's non-oil economy shrinking by 3.6% in 1996. However, a recovery appears to be underway, with growth in both the oil and non-oil sectors in the first half of 1997.

Under pressure to allow compensation for cost of living increases, the Caldera Administration has decreed large wage increases in 1997. This is ominous for a nation that is just recovering from high inflation. In addition, national elections scheduled for late 1998 will make it more difficult for the GOV to press on with important, but controversial, reforms of the state administration and the social security system, and privatization of the large and costly state-owned aluminum and steel companies.

TALKING POINTS

- The U.S. commends Venezuela for pursuing its program of economic liberalization. Global capital markets and U.S. investors have taken note and responded enthusiastically to the reforms.
- The GOV should resist political pressures that would jeopardize the Caldera Administration's achievements in bringing down inflation and placing Venezuela on the path to sustainable long-term growth.

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VENEZUELA: ENERGY

Venezuela's energy importance to the U.S. stems from its large proven oil reserves (73 billion barrels), the fourth largest of any country and the largest outside of the Middle East. Since 1996, Venezuela has become our number one foreign oil source, meeting 18 percent of our daily imports. Venezuela also holds an astounding 275 billion barrels of extra heavy oil (about the size of Saudi Arabia's conventional reserves). U.S. oil companies will spend billions with Venezuela to "upgrade" these crudes at U.S. refineries. U.S. firms assist Venezuela to produce "orimulsion", a heavy boiler-fuel now seeking regulatory approval, on appeal, in Florida. We stress that permitting is an independent local, state, and federal process.

A founder of OPEC, Venezuela is now its largest quota-buster with production of 3.2 million barrels per day yet a quota of only 2.3 million. The U.S. does not comment on internal OPEC issues nor on the production levels of its members. Oil provides Venezuela 65 percent of federal revenues.

Venezuela is focusing its oil exports to the nearby U.S. market. The U.S. praises Venezuela's role as our largest oil supplier and for its 80 year history of supply reliability. Venezuela did not participate in the 1973 Arab oil embargo, has boosted production during times of crisis, from the World Wars to the Gulf War. We welcome Venezuela's integration into the U.S. energy sector. State-owned Petroleos de Venezuela (PDV) owns CITGO Petroleum, with more U.S. gasoline stations (15,000) than any other chain and third by volume in U.S. gasoline sales. On August 19, 1997, since Venezuela and Brazil won their WTO case against us on gasoline import standards, EPA amended import regulations while upholding the Clean Air Act.

Venezuela seeks to double its oil production by 2005, with foreign investment to play a key role. Starting in 1992, private (Venezuelan and foreign) oil companies have been paid a royalty-per-barrel to "re-start" older, existing oil fields. The latest, July 1997, bid round for twenty fields, earned Caracas a surprising 2.2 billion USD in up-front bids. Even broader was Venezuela's successful 1996 auction, for the first time since nationalization in 1976, of eight new areas for exploration and production by private, mostly American, oil majors; the companies will hold an equity share in these fields.

TALKING POINTS

- Venezuela remains our number one source of oil imports. We value our long-standing partnership with the Venezuelan petroleum industry.
- Extensive U.S. investment in Venezuela's petroleum sector and Venezuela's considerable investment in the U.S. reflect the efforts of both our nations to promote and achieve a free and prosperous economic partnership.

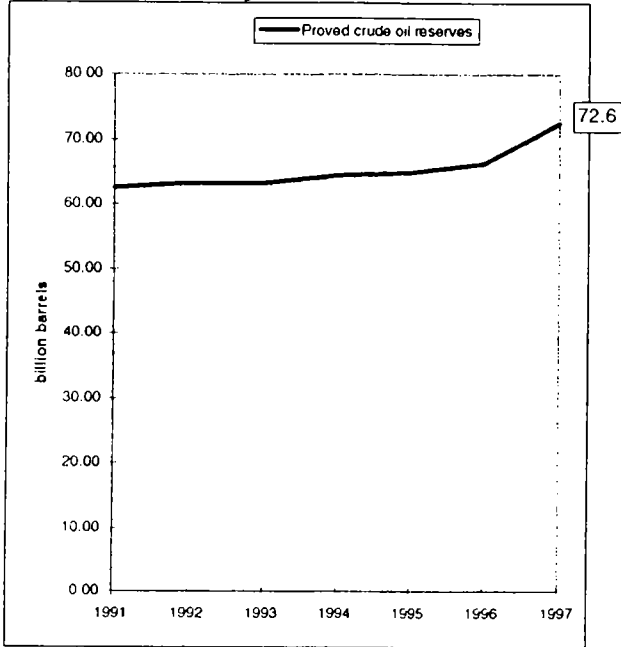
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- Venezuela and the U.S. share a commitment to protect the environment. U.S. companies working in Venezuela are using the latest technology and the best environmental practices.

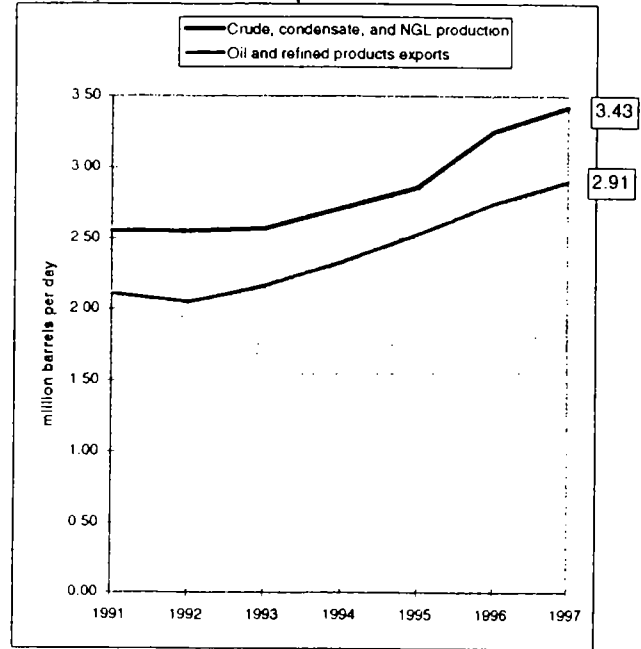
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Venezuelan Oil Trends

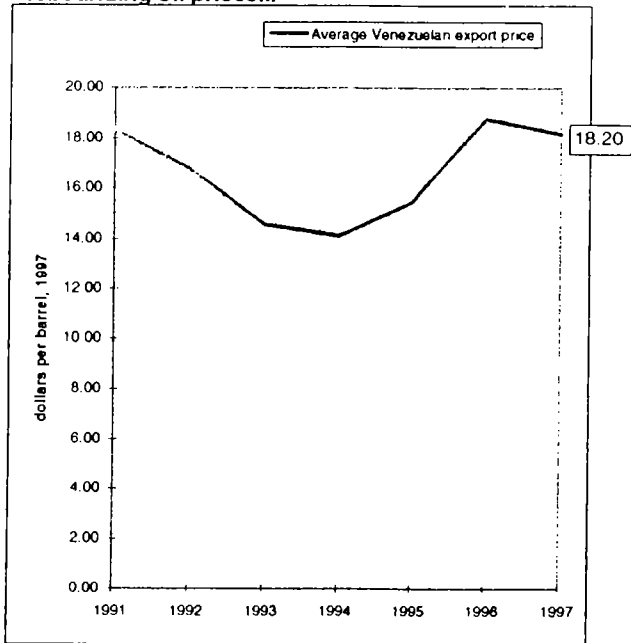
Oil reserves are rising...



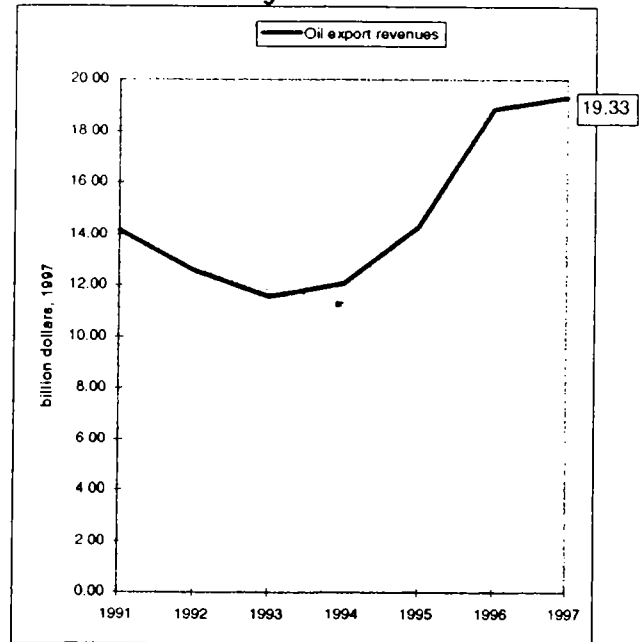
as are production and exports.



Rebounding oil prices...



have increased earnings.



Sources: IEA and US Embassy reporting.
 This graphic is unclassified.

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VENEZUELA: ENVIRONMENTAL ENERGY ISSUES

The visit to Venezuela is an opportunity to highlight their role as co-chair of our energy cooperation since the 1994 Summit of the Americas, in which their leadership has been critical to maintaining broad participation and concrete progress in opening markets, protecting the environment, and ensuring the energy security of the Americas. As a member of OPEC, however, Venezuela has been reluctant to address global climate change or to support international partnerships such as joint implementation. We have successfully assisted Venezuela's Environment and Energy Ministries in producing a Climate Change Country Study and draft Climate Action Plan, which could form the basis for next steps on this issue. The state oil company prides itself on cutting edge practices, whether economically or environmentally driven, and this is an opportunity to encourage PDVSA's diversification beyond petroleum, such as the example of British Petroleum (BP).

Venezuela's leadership of our Hemispheric Energy collaboration has led to enhanced energy cooperation among the nations of the Hemisphere and has heightened interest in policies that support sustainable development. As a part of that process, the Western Hemisphere Oil and Gas Environmental Forum was established which regularly brings together companies from throughout the hemisphere to discuss best practices, policies and technologies to protect the environment. Venezuela has since established its own domestic analog to the Forum, COPEVASHI, comprised of the state oil company, PDVSA, and its subsidiaries(2) and the close to forty international companies operating in Venezuela under the recent opening of Venezuela to foreign petroleum company participation.

Beyond petroleum, we would like to work together to diversify the economic strength of this nation, including the advancement of renewable energy and energy efficiency uses in rural electrification and urban transportation. To that end, we are in the process of negotiating a bilateral energy agreement, which extends our ongoing cooperation on petroleum research and development, and broadens our cooperation to policy and market cooperation on renewable energy, energy efficiency, regulatory issues, and the conversion of Caracas' vehicle fleet to natural gas.

The United States Government has provided \$350,000 for a climate change Country Study and \$150,000 for the development of a Climate Change Action Plan. The Country Study, which included a greenhouse gas inventory and vulnerability, adaptation, and mitigation analysis, was finalized in 1995. The Action Plan is in draft, and we hope that the President's visit will speed the release of the final plan as well as its implementation. We look forward to formalizing our relationship and initiating projects to build on these interests and activities.

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TALKING POINTS

- Venezuela's leadership of our Hemispheric cooperation demonstrates their commitment to the region's energy security, environmental health, economic and social development.
- We look forward to broadening our bilateral relationship to address these priorities, open new markets, and protect the global environment. By example, we can demonstrate that environmental protection, efficiency investments, and renewable energy technologies save money and benefit our citizens, bringing affordable electricity to those in need.

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Venezuela Air Safety and U.S. Airline Flight Applications

The FAA determined that Venezuela's air safety oversight structure does not meet internationally-agreed standards, and thus placed Venezuela in (conditional) Category II of its international aviation safety program. This ranking limits Venezuelan carriers to current levels of service to the United States until the GOV brings its safety oversight capability into compliance with international standards.

Although this freeze results entirely from safety considerations, the GOV has reacted by denying U.S. airline requests to increase service to Venezuela. Specifically, the GOV has not approved an American Airlines request to begin a Dallas-Caracas flight beginning on September 3. Continental has requested a Houston-Caracas route beginning October 1 and a second from Houston beginning April 1, 1998. Delta Airlines has applied for an Atlanta-Caracas route beginning on December 7. The U.S. maintains that the GOV's failure to approve these flight requests violates our bilateral civil aviation agreement.

TALKING POINTS

- The FAA has been working with Minister Orozco to help bring Venezuela into compliance with ICAO requirements.
- Commerce and safety are separate issues. Venezuela should approve new route requests as provided in our bilateral aviation agreement.

THE WHITE HOUSE
WASHINGTON

September 6, 1997

Mr. R. L. Crandall
Chairman and President
American Airlines
P.O. Box 619616
Dallas/Forth Worth Airport, TX 75261-9616

Dear Bob:

Your letter of September 3rd regarding American Airlines' matters in Venezuela is received, noted, and appreciated. I am generally aware of the concerns you express in your letter, and I will discuss with Assistant Secretary Davidow the best way to proceed to improve airline service between the U.S. and Venezuela. Given the fact that I travel regularly to Latin America and the Caribbean, I well understand the importance of air transportation links in our hemisphere.

Personally,

M. J.

*cc: Eric
Nelson
Venezuela
Trip file*



R. L. Crandall
Chairman and President

September 3, 1997

FAX: 202/456-2215

*Eric News
Response
US 3 to P*

The Honorable Thomas F. McLarty III
Counselor to the President
The White House
Washington, DC 20500

Dear Mack:

Since the President intends to visit Caracas next month, I'd like you – and he – to be aware of a serious problem which American has experienced in Venezuela.

American had intended to inaugurate nonstop daily service between Dallas/Fort Worth and Caracas today, but has been prevented from doing so by the Venezuelan government. Although we have been properly designated by diplomatic note from the American Embassy in Caracas to the Venezuelan Foreign Ministry to provide this service, which is consistent with the aviation agreement between the United States and Venezuela, the Venezuelan government has refused to grant its permission for the service to begin.

Venezuela's refusal to honor the terms of the aviation agreement seems to us an inauspicious precursor to the President's visit. That is particularly true since American has offered to provide assistance to the Venezuelan aeronautical authorities in their effort to recover Category 1 status from the F.A.A., and our offer has been accepted. We are at a loss to understand why those same authorities have chosen to block new service from an area of the United States which now has no nonstop service to Venezuela.

Assistant Secretary Davidow and Ambassador Maisto have both been most energetic in their personal efforts to resolve this problem, but their initiatives have not yet been successful.

The Honorable Thomas F. McLarty III

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Mack, I hope you and the President will agree that President Caldera should be made aware that harassment of U.S. companies can only harm the positive relationship between the United States and Venezuela, which the President's visit is intended to celebrate. Moreover, I hope you can find a speedy way of delivering this message, so that our new service between Dallas/Fort Worth and Caracas can begin, and air transportation links between the two countries can be strengthened.

Best regards,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and lines, extending across the width of the page.

eh

cc:

The Honorable Jeffrey S. Davidow
The Honorable John F. Maisto

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VENEZUELA: COUNTERNARCOTICS AND LAW ENFORCEMENT ISSUES

Venezuela's burgeoning counternarcotics cooperation with the U.S. has been active on several fronts, including extradition, money laundering and mutual legal assistance. Closer cooperation with the U.S. in mutual legal assistance will facilitate the prosecution of international drug trafficking and other cases. Our continuing negotiations on a Mutual Legal Assistance Treaty is a powerful example of international judicial cooperation.

Further, Venezuela's participation in INL-funded training courses designed to improve the prosecution of drug cases reflects the country's commitment to the rule of law. In the face of the drug trade's corrosive effect on democratic institutions, the GOV has sought to modernize its judicial system. Senior Venezuelan justice officials should be congratulated for persevering in this struggle.

Venezuela's precedent-setting extradition of convicted Colombian narcotics trafficker Justo Pastor Perafan to the U.S. will hobble major Colombian cartels. His trial in New York in the near future symbolizes the power of international cooperation in enforcing the rule of law.

Only a few disappointments mar Venezuela's overall good cooperation. In the past, the GOV's denied several USG requests to board suspected Venezuelan drug trafficking vessels in international waters. However, we now have a shipboarding agreement and the GOV has said it wants to negotiate a comprehensive new maritime cooperation agreement to resolve such problems.

TALKING POINTS:

- I commend your government for the swift extradition of convicted Colombian narcotics trafficker, Justo Pastor Perafan Omen;
- Venezuela's law to better track financial assets flowing through the gaming industry is expected to help control the laundering of illicit funds;
- Congratulations on GOV participation in international judicial and prosecutorial training courses that complement your country's ambitious judicial reform effort;
- The Joint Declaration we have issued reconfirms our cooperation in combatting organized crime and narcotics trafficking.

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- I look forward to making use of the MLAT to our mutual benefit in the fight against narcotics trafficking and international crime; and
- I hope to see a comprehensive Customs Mutual Cooperation Agreement to better control the smuggling of cocaine, chemicals and other contraband through Venezuelan territory.

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