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Folder Title:

Summit of the Americas - Labor Issues

Staff Office-Individual:

Special Envoy for the Americas-Lesmez, Daniel

Original OA/ID Number:

CF 1045

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. agenda	Labor in the Santiago Process [with handwritten annotations] (1 page)	02/13/1998	P1/b(1)

COLLECTION:

Clinton Presidential Records
Special Envoy for the Americas
Lesmez, Daniel
OA/Box Number: CF 1045

FOLDER TITLE:

Summit of the Americas - Labor Issues

2009-1155-F
ke2552

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 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. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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

- b(1) National security classified information [(b)(1) of the FOIA]
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INTER-AMERICAN DEVELOPMENT BANK

MEMORANDUM*Mack
Nelson
Eric*

FILE CLASSIFICATION: SPTF.cov

Jan

DATE: January 27, 1998

TO : Mack McLarty, Special Assistant to the President
Mark Schneider, Assistant Administrator
David Lipton, Under Secretary

CC : Amb. James Dobbins, Special Assistant to the President
Amb. Richard Brown, Coordinator, Summit
Amb. Jeff Davidow, Assistant Secretary

FROM : L. Ronald Scherman, US EXD

SUBJECT : Fund for Summit Projects through FSO

The attached memo details how the availability of at least \$44 million in the U.S. Social Progress Trust Fund (SPTF), administered by the IDB could be made available for U.S. initiatives at the forthcoming Summit.

A possible option open to the U.S. is for the President to offer funds for the new education initiative being proposed at the Summit, for which President Iglesias is discussing an IDB program of \$500 million. This project can be done through the FSO, which would serve a double function of helping to break the log jam over local currency in the FSO.

We should discuss this matter directly if you wish to pursue it further.

INTER-AMERICAN DEVELOPMENT BANK

MEMORANDUM

FILE CLASSIFICATION: SPTF.mem

DATE: January 15, 1998

TO : L. Ronald Scheman, US EXD

FROM : Kelle Bevine, Counselor *[Signature]*

SUBJECT : Potential for Transfer of SPTF Funds for New Uses

You requested a complete analysis of the amount of money the U.S. government has on deposit with the FSO that could be converted into a contribution to the FSO to assist programs the President might wish to sponsor as a result of the upcoming Presidential Summit in Santiago.

The original investment of the U.S. government of \$500 million in 1961 has been eroded by U.S. approved contributions to various programs related to the purposes of the SPTF over the years to roughly \$100 million. A major portion of these contributions have been to the Inter-American Foundation (IAF), which has benefitted from roughly \$300 million in contributions from SPTF reflows on a continual basis since 1973. Other technical assistance support has gone to such programs as schools and the River Blindness Foundation. The IAF, as well as other contributions, have been executed by amendment to the SPTF agreement between the Bank and AID, and then passed by the IDB Board of Directors.

SPTF balances are invested by the Bank in FSO loans (called participations) which allows our funds to maintain their dollar value and earn interest. Our decision to invest in FSO participations with the SPTF resources has the financial impact to the Bank of providing additional liquidity to the FSO operations. Nonetheless, from the point of view of the Bank, our resources are available for return to the U.S. government.

The amount of resources on deposit is \$75 million, and of this amount \$32 million is obligated to the Inter-American Foundation through the year 2000. That leaves a balance free from any financial commitments of \$44 million. Subsequently, an additional \$25 million in local currencies will become available from 2001 and beyond as the remaining SPTF loans mature and are repaid (approximately \$2 million or less per year for upwards of the next 20 years). That means a total of \$69 million remains in the SPTF which could be committed by the U.S. government to FSO programs.

The issue that must be addressed in withdrawing this money is not within the Bank, but relates to the authority required to use these resources for any other activity outside of SPTF and whether we would need Congressional actions; I am awaiting feedback from

Treasury's General Counsel's office. It is clear that AID has authorized many contributions, utilizing a major portion of SPTF funds to FSO-related activities in the past so there is a good argument to do so again provided the purposes of the FSO are consonant with the original SPTF agreement. It is possible, however, that if an amendment to the SPTF legislation is required, without re-authorization to convert it into a contribution to the FSO, any withdrawal of resources would be required to flow back to the general funds as a windfall.

Thus, it may be possible to again amend the SPTF agreement to redirect the resources to contribute to the FSO or create a new special fund. Otherwise we could only do so upon specific action by Congress. The only other caveat is that once other agencies understand that the President wants to use upwards of \$44 million in previously authorized U.S. foreign aid resources for his purposes, in these lean budget times, I expect to see the interested agencies (AID, State, Treasury) becoming fire flies over who's got the best idea on how to spend the money.

Cc: Larry Harrington
Bruce Juba
Cressida McKean

INTER-AMERICAN DEVELOPMENT BANK
MEMORANDUM

Labon
Don
① Eric
② P. 1

FILE CLASSIFICATION: labor7.1

DATE: July 29, 1997

TO : Bill Schuerch, DAS, Treasury

CC : David Lipton, Assistant Secretary
Mack McLarty, Counselor to the President,
Amb. Charlene Barshefsky, USTR
Amb. Jeffery Davidow, Assistant Secretary
Andrew Samet, Assistant Sec. of Labor
Amb. Harriet Babbitt, U.S. Representative
Amb. Richard Brown, Coordinator

FROM : L. Ronald Scheman, US EXD

SUBJECT : An Inter-American Labor Initiative

We have begun to explore at the IDB a new initiative in the field of labor to strengthen the capacity of Labor Ministries of the Americas to conform with ILO standards and to improve their professional capacity to better analyze the economic implications of the openings to globalization and privatization in the region. The initiative resulted from an idea presented by Amb. Charlene Barshefsky in a meeting with Pres. Iglesias several weeks ago.

Background:

The nations of the Americas have long advocated fair labor standards to protect workers, enhance productivity and improve competitiveness. Most of the American nations have ratified key ILO standards and have on their books numerous laws to protect labor. The institutional capacity to give substance to these laws and enforce the minimum standards, however, is weak. In short, the issues affecting labor have considerable support in their own right among the American nations but have languished as labor ministries were ill endowed to meet their obligations.

Labor issues will increasingly affect the substance and the tone of the dialogue between the United States and Latin America as we move forward with the FTAA negotiations. However, labor issues affecting labor standards and workers rights are far more than trade issues. They merit serious attention in their own right. Considering that the Latin American governments have already embraced ILO standards and are theoretically aware that sound labor laws and practices are in their interests (viz.: child labor exists side by side with high adult unemployment), a

2

program to strengthen the professional capacity of labor institutions and related inter-America fora should find a ready audience in the Americas.

A major obstacle to serious negotiations in many of the countries of the Americas is lack of professional research on labor issues. Labor ministries have inadequate administrative and enforcement capability; labor unions have not had the high level economic analysis that would enable them to analyze and define their own best interests. The lack of such professional research capability, however, has not hindered them from taking positions on the issues of trade, privatization, etc. The objective of the new program would be to strengthen their capacity to address issues such as:

- * Productivity, safety standards and competition
- Long and short term costs and benefits of globalization and privatization (viz. the El Salvadorean labor unions recently approached the IDB to obtain financial help to enable them to buy equity in the privatized power company.)
- Privatized pension funds, including direct participation in the funds (Pres. Sweeney of the AFL-CIO met with Pres. Iglesias last week specifically to express strong interest in this).
- Issues of transparency and corruption.

Immediate Objectives:

The objective of a renewed inter-American labor program is to give the issues higher profile on their merits and help us achieve our ends of improving labor standards, addressing inequality in income distribution, and giving labor a substantial forum of its own. This task requires both policy direction, which is already integrated into the OAS framework, and technical support and resources, which the Inter-American Development Bank can provide.

For this purpose we could give consideration to several inter-related approaches:

- A reinvigorated Inter-American Labor Conference linked to the Summit.
- Separate hemisphere wide agreements both on labor standards on their merits and divorced from the trade negotiations.
- A tri-partite Committee of the OAS, IDB and ECLAC, as we are currently doing in trade matters, to act as the catalyst, involving the IDB in research and specific programs to strengthen labor ministries while the OAS, which already has a special committee of labor ministers, could address policy issues.
- A high level task force of private sector and labor leaders to address a common strategy for fair competition and harmonization of labor standards and benefits.
- Nonpartisan think tanks to engage in research and bring together the various parties.

Officials of the Department of Labor (Assist. Sec. Samet) and the AFL-CIO (Stan Gacek of their international division) have already approached this office on related topics. I have discussed it with President Iglesias following our meeting with Amb. Barshevsky and he is enthused about the concept. If Treasury is favorable, the next steps would be to meet with officials of the Department of Labor and USTR to determine a strategy so that we can discuss it more substantively with Pres. Iglesias. I would suggest that such a meeting be convened by the Department of Treasury.

Withdrawal/Redaction Marker

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THE WHITE HOUSE
WASHINGTON

February 13, 1998

MEMORANDUM FOR DISTRIBUTION LIST

FROM: Gay Joshlyn, National Economic Council

SUBJECT: Labor in the Santiago Process

Lael Brainard will chair a meeting to discuss labor in the Santiago process on Tuesday, February 17 at 8:00 am in OEOB Room 239. I have enclosed an agenda for the meeting. Please give me a call at 456-2801 if you need to be cleared into the building or if you have any questions.

Distribution

Andrew Samet, DOL
Mark Schnyder, AID
Peter Allgeier, USTR
Karl Hoffman, NSC
Gare Smith, DOS
Dan Lesmez, WHO

INTER-AMERICAN DEVELOPMENT BANK

MEMORANDUM**FILE CLASSIFICATION: hond1.30****DATE: January 30, 1998**

TO : David Lipton, Under Secretary
Mack McLarty, Special Counselor to the President
Mark Schneider, Deputy Administrator

FROM : L. Ronald Scheman, US EXD

SUBJECT : Aide Memoire on discussion with President Alvaro Arzu of Guatemala

The attached Aide Memoire summarizes some initiatives that were discussed when I spoke to President Arzu when we were both in Honduras last week. I thought you would want to know about them.

① Eric
② Dan
③ Ana Maria



EXECUTIVE DIRECTOR

INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D. C. 20577

AIDE MEMOIRE

CABLE ADDRESS
INTAMBANC

From: L. Ronald Scheman, U.S. Executive Director

Re: Observations on discussions between President Alvaro Arzu and L. Ronald Scheman

1. A Central American Guarantee Fund. A joint investment guarantee fund sponsored by all of the Central American governments to insure cross-border investments would have considerable political and fiscal impact. It would be a strong demonstration of the combined political will of the Central American governments to encourage investment. The Fund would insure investments from one Central American country to another, as well as European, Asian and investors from elsewhere in Latin America. The Central American governments would be shareholders in the Fund together with private insurers, following the model the Inter-American Development Bank (IDB) used in financing the Central American Power Grid. The IDB could provide loans to the governments to back up their obligations which would assure the insurers that a backup commitment is safely located with a neutral source. The IDB loan or guarantee commitment, even if it is never drawn down, would upgrade the credit rating of the Fund. The political impact of such a fund on the investment community would be very reassuring.

2. A Fund for Municipal Development. The issue here is enhancing the credit of municipal governments to enable them to borrow on the capital markets for municipal infrastructure projects such as water, sewer, garbage collection, municipal markets, sports stadia or any other facility that would bring in revenue. This type of municipal credit enhancement could be used in conjunction with the proposed BCIE PROMUNI Fund. Instead of lending directly to the municipalities, however, which limits the available resources, the Fund's guarantees would enable the municipalities to go to the capital markets with a much greater multiplier on capital invested. A similar operation was done in Asia by Asia Limited with the help of the Asian Development Bank.

3. Training for municipal government officials. One of the great shortcomings in the education infrastructure of the region is a strong institution for public administration. Such an institution would have two major goals: (1) the training of young people to assume positions in municipal and other governments and (2) short courses and in-service training within the various municipalities. The first step is to designate an existing institution to assume this role and then initiate discussions with the IDB to strengthen the school.

① Nelson Dan
② Eric



Please
give comment
to Nelson
Mc

FAX COVER SHEET

Date: 1/12/98

To: Nelson Cunningham



Fax Number: 456-2464

Addressee's Phone Number: _____

From: Andrew Samet

Fax Number: (202) 219-5980

Sender's Phone Number: 219-6043

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Working for America's Workforce

U.S. Department of Labor

Deputy Under Secretary for
International Affairs
Washington, D.C. 20210



January 12, 1998

MEMORANDUM FOR AMBASSADOR DAVIDOW

FROM: Andrew J. Samet
Acting Deputy Under Secretary,
International Affairs

SUBJECT: Comments on Chilean Draft of the Santiago Declaration of Principles

Attached are the Department of Labor's comments and suggestions regarding the Chilean Draft Santiago Declaration of Principles.

The main deficiency in the Chilean draft document is that fails to provide any room for dealing with labor issues in the hemispheric integration process. We believe that it is imperative that the Leaders' Declaration emerging from the Santiago Summit be unambiguous in its recognition of the importance of labor issues and establish a clear process for addressing them if the Free Trade Area of the Americas (FTAA) is to be successful. In this regard, we have drafted text (Attachment 1) that could be placed between paragraphs 21 and 22 of the draft Chilean Declaration. Our proposed text would: 1) establish that labor issues are part of the hemispheric integration process; 2) state that Ministries of Labor need to be strengthened to contribute to hemispheric integration; 3) establish a process whereby Ministers of Labor will create a framework to deal with labor issues complementing the FTAA; and 4) call on the OAS, IDB, other regional organizations and the ILO to support the work of Ministries of Labor in pursuit of the integration process. These international organizations are likely to be receptive to a request for assistance to the Ministries of Labor.

In addition to the insertion in Attachment 1, we believe that the Draft Declaration would also be enhanced by making small changes to the first paragraph and inserting language throughout the document that foreshadow some of the labor issues likely to be addressed in the Action Plan under the Democracy, Education and Poverty baskets. These suggestions are given in Attachment 2.

Please, let me know if you have any questions regarding our suggestions.

Attachments

cc Amb. Richard Brown
Bryan Samuel
Nelson Cunningham
Karl Hoffman
Peter Allgeier

DRAFT

Attachment 1

Department of Labor's Comments on
Chilean Draft of the Santiago Declaration of Principles

Add the following between paras. 21 and 22:

Labor

A strong and viable labor sector is vital to the achievement of hemispheric integration and to the equitable distribution of its benefits. Consistent with the Declaration of Buenos Aires of the Tenth Inter-American Conference of Ministers of Labor, held in October 1995 under the auspices of the Organization of American States, we are committed to policies that will foster a healthy, educated, productive and secure workforce, which shares in the benefits of economic growth.

Labor Ministries can and should make a positive contribution to the hemispheric integration process. We recognize the need to strengthen the capacity of Ministries of Labor to more fully support the hemispheric integration process. We direct our Ministries of Labor to work together to exchange information and experiences regarding best practices and to enhance cooperation on innovative labor market policies.

We also recognize the need to establish a framework that addresses the labor dimension of hemispheric integration, complementing the Free Trade Area of the Americas. We direct our Ministers of Labor to meet before the end of 1998 to begin the construction of such a framework and to report to us at the III Summit of the Americas on progress made.

We call on the Organization of American States, the Inter-American Development Bank, other appropriate regional and sub-regional organizations and the International Labor Organization to support the efforts of Ministries of Labor to further the hemispheric integration process.

January 12, 1998

DRAFT

Attachment 2

Department of Labor's Comments on Chilean Draft of the Santiago Declaration of Principles

1. Amend the first paragraph of the Declaration as follows (addition in bold):

We, the democratically elected Chiefs of State and Governments of the countries of the Americas, meeting in Santiago, Chile, within the framework of the II Summit of the Americas and with the purpose of examining the current situation in the region, of evaluating the hemispheric cooperation and integration process and adopting measures required to give a renewed momentum to this joint effort, so as to better use the capacities of our countries, to contribute to resolve the severe problems still afflicting an important segment of our people, respond to the concerns and demands of our citizens, **raise standards of living, improve the working conditions of people in the Americas and better protect the environment.**

2. Make the following additions to the document to foreshadow labor matters in the Action Plan.

- In the "Democracy and Human Rights" section, amend the second sentence of para 3 to highlight modernization of the state and of ministries of labor.

By modernizing government structures so that they are increasingly more agile and responsive to the needs of our citizens and strengthening judicial systems, we will ensure that important principles of respect for human beings and the full development of their capacities attain the effectiveness they deserve.

- Also in the "Democracy and Human Rights" section, add the following paragraph after para 4:

We reaffirm our commitment to human rights, as stipulated in the Universal Declaration, and to international and interamerican human rights instruments, to which we are parties, respectively. In particular, we recognize the importance of economic, social and cultural rights, and within these we underscore the basic rights of workers, and reaffirm our commitment to ensure compliance with the Constitution and Conventions of the International Labor Organization, as respectively ratified by our governments. [This language was agreed to in the San Jose Declaration of the Leaders.]

- In the "Globalization" section, modify the second sentence of para 10 as follows:

Similarly, we reaffirm that only by means of interdependence founded on the sovereign

equality of States and on common principles and values permitting economic growth based on practices of free trade; on respect for the rights of workers; on a healthy environment; and on policies that ensure that the benefits of economic growth are widely distributed, shall we strengthen the peace and sustained progress in which the Hemisphere lives.

- In the "Education" section, modify the second sentence of para 17 as follows:

These plans should contemplate the development of worker training programs that respond to the needs of the labor market so that the broadest number of workers and employers will have the opportunity to benefit from economic growth.

- In the "Poverty, Social Equity and Preventing Discrimination" section, modify the third sentence of para 20 as follows:

The region as a whole must make an additional effort to finally overcome this situation in the next years, creating the conditions that will generate quality jobs and respect for the rights of workers, and thus achieve the required equilibrium that will permit not only better and more fair living and development conditions for our peoples, but also to reinforce the legitimacy and efficiency of the system. We recognize the positive contributions of an enhanced dialogue between workers and business people and in that regard, encourage greater labor-management cooperation and the adoption of innovative systems of labor-management relations.

January 12, 1998

U.S. Department of Labor

Deputy Under Secretary for
International Affairs
Washington, D.C. 20210**FAX COVER SHEET**

Date:

1-30-98

To:

Nelson Cunningham

- ① W Den
- ② Eric
- ③ Mack
- ④ Nelson
- Mexico 1314

Fax Number:

456-2464

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From:

Andrew Sarnet

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PAGE 03

UNOFFICIAL TRANSLATION

January 20, 1998.

**ALEXIS M. HERMAN
SECRETARY OF LABOR
UNITED STATES OF AMERICA**

Dear Secretary Herman:

I wish to inform you that I received your letter dated January 13, in which you let me know that you agree with the US NAO recommendation to hold consultations with regard to Submission No.9701.

I thank you for your January 12 telephone call prior to your letter. I had understood, from that conversation, that you had received the US NAO recommendations, but that you wanted me to read the report and then you would decide whether to request consultations. However, from the January 12 Department of Labor press release and your letter, I take note that you have requested ministerial consultations.

As I read your letter, I was pleased to see that you acknowledge Mexico's Government concern for the treatment of women in the workplace and that you are also aware of the different initiatives carried out by my country's Government. I agree with you that within the North American Agreement on Labor Cooperation (NAALO), our cooperation has been intense and fruitful.

As I offered during our telephone conversation, I will read the US NAO report carefully and let you know my initial comments soon.

I thank you again for your call and your letter.

Sincerely,

JAVIER BONILLA

cc Lawrence A. MacAulay, Minister of Labour of Canada.



Núm. 0191

México, D.F. 20 de enero de 1998.

SECRETARIA DEL TRABAJO
PREVISION SOCIAL

**ALEXIS M. HERMAN
SECRETARIA DEL TRABAJO
ESTADOS UNIDOS DE AMERICA**

Estimada Secretaria Herman:

Por medio de la presente le informo que recibí su carta, con fecha 13 de enero, en la que señala que concuerda con la recomendación de la OAN de EUA de celebrar consultas en relación con la Comunicación Pública No. 8701.

Aprovecho para agradecerle la llamada del día 12 de enero previa a su carta. Mi percepción de nuestra conversación era que usted había recibido la recomendación de la OAN de EUA; pero que usted quería que yo leyera el informe y entonces tomaría usted la decisión respecto a solicitar las consultas ministeriales. No obstante, por el boletín de prensa del Departamento del Trabajo del día 12 de enero y su carta, tomo nota que usted ha solicitado consultas ministeriales.

Me es grato encontrar en la carta que reconoce la preocupación que existe en el Gobierno de México por la condición de la mujer trabajadora y que conoce igualmente las diversas acciones e iniciativas que al respecto lleva a cabo el Gobierno de mi país. Coincido con usted en que, en el marco del Acuerdo de Cooperación Laboral de América del Norte (ACLAN), nuestra cooperación ha sido intensa y fructífera.

Como le ofrecí por teléfono, leeré con detenimiento el informe de la OAN de EUA y le haré llegar pronto mis comentarios preliminares.

Gracias nuevamente por su llamada y su carta.


JAVIER BONILLA

ccp Lawrence A. MacAulay, Ministro del Trabajo de Canadá.



INTER-AMERICAN DEVELOPMENT BANK
Washington, D.C. 20577

EXECUTIVE DIRECTOR
United States

① Nelson
② Eric
③ Steve
④ Rose

FACSIMILE

(2 pages)

Don

TO: Mack McLarty, Special Counselor to the President

FAX: 456-2215

FROM: L. Ronald Scheman

TEL: 202/623-1031

FAX: 202/623-3612

Subject: The labor issue and the FTAA

The attached note to Secretary Herman will be of interest to you.

Mack, I would like to make a strong suggestion that we do some brainstorming on the labor issue. I believe we have been taking too negative a tack, emphasizing the substandard labor conditions in L.A. Instead, we should play it positively, emphasizing a forward looking approach to raise working conditions, wages, etc. for the well-being of everyone, for building a larger consumer base that will drive domestic production, create more wealth, etc. This type of approach would be the core of a natural alliance with Latin America's left which articulates a similar goal. In positive terms, we could develop some strong arguments that even business may buy.

I believe Secretary Herman is a natural leader for this type of approach.

*Mack Have a very happy
holiday - our best to
Donna. R*

Banco Interamericano de Desarrollo
Banco Interamericano de Desenvolvimento



Inter-American Development Bank
Banque interaméricaine de développement

Washington, D.C. 20577
CABLE: INTAMBANC

December 19, 1997

The Honorable
Alexis Herman
Secretary
U.S. Department of Labor
Washington, D.C.

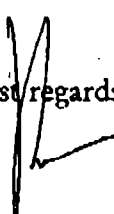
Dear Madam Secretary:

I wanted to inform you that the Bank is currently considering a grant of \$6 million to the labor ministers of Central America. We are looking at providing resources for more detailed studies of the labor market to generate the basis to harmonize labor standards including systems of inspection, procedures for the resolution of conflict, and for the development of minimum safety and health standards.

This is a direct result of your important effort to bring together the labor ministers in conjunction with the Bank in early November.

Thanks to you, it looks like we are well on our way to making substantial progress in this area.

Best regards,


L. Ronald Scheman

cc: Mack McLarty, Special Counselor
Amb. Jeff Davidow, Assistant Secretary
Andrew Sammet, Deputy Secretary
Bill Schuerch, DAS
Mark Schneider, Asst. Administrator

Mark / I thought you might
be interested in this.

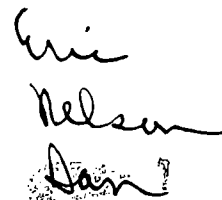


12

With the Compliments of

*L. Ronald Scheman
U.S. Executive Director*

Inter-American Development Bank

MEMORANDUM

FILE CLASSIFICATION: EVI.lab

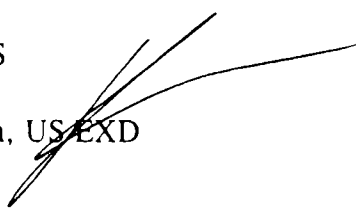
DATE: February 11, 1998

TO : Enrique Iglesias, President

CC : Bill Schuerch, DAS

FROM : L. Ronald Scheman, US/EXD

SUBJECT : Labor Issues



In an effort to better coordinate efforts to improve core labor standards¹ among member countries, this Chair would like to suggest that the Bank undertake a more pro-active role to assist member governments improve national labor standards, ensure compliance with labor codes, upgrade labor ministries and promote national dialogues on labor issues.

Considering the importance of labor issues for economic development, our efforts to address poverty, and for regional economic integration, it is entirely appropriate that we explore better ways to incorporate these strategic objectives in IDB country programming, project execution, and procurement. This issue is relevant on two levels: for the Bank's own projects and procurement policies and secondly, to assist borrowing member nations to implement sound labor practices.

A. Country Programs. All country program documents should be required to discuss the status of labor conditions in the country, their impact on development, and how the Bank might assist to improve labor standards and working conditions. It should review the status of labor legislation, practices, and minimum standards, with special attention to the capacity of labor ministers to enforce labor codes, management capabilities in the labor ministries to assure effective use of their resources, and programs to improve labor skills and productivity in the work environment. The country program should also discuss the nature of the policy dialogue on labor issues within the country and explore ways in which the Bank's technical cooperation and research programs might enhance that dialogue regarding the benefits of improved labor standards and policies connected to labor reform.

B. Project Execution. All project execution shall pay careful attention to labor conditions affecting contractors and sub-contractors. All contractors and sub-contractors involved in

¹ As employed in ILO agreements.

project execution would be required to certify compliance with all national and ILO minimum standards in the course of project execution. Borrowers would be required to:

1. Obtain similar certification from third party recipients of loan funds.
2. Maintain such records to this effect as the Bank may require.

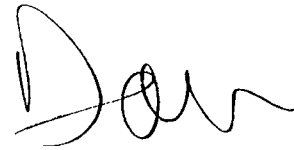
The Bank would be authorized to cancel or suspend loan amounts if the borrower or other recipient of loan funding fails to comply with the regulations of illegal or sub-standard labor practices.

C. Procurement .

Procurement guidelines: The Bank standard procurement guidelines would require the borrowers to (1) comply with national labor laws and standards in all aspects of the project, and (2) include in all bidding documents and contracts prohibitions against substandard labor practices. In all bidding contracts, vendors should be required to certify that they will comply with all national requirements. In the event of breach, the lender or contractor would be entitled to indemnification for resulting losses and required to withhold funds from the project unless the illegal or sub-standard practices are promptly rectified.

We hope that these suggestions be explored by Management and a specific program for implementation be presented to the Board within the next few months.

INTER-AMERICAN DEVELOPMENT BANK
MEMORANDUM



File Classification:

DATE: November 3, 1997

TO: Mack McLarty
Special Counselor to the President

FROM: L. Ronald Scheman
U.S. Executive Director

SUBJECT: IDB Labor-Related Activities

Here is a summary of major IDB initiatives in the labor field, as we discussed.

- Restructuring of Labor Ministries and labor code revisions through components of loan and grant operations. For example,

A \$250m loan to Mexico for a Labor Markets Modernization Program is strengthening the Ministry of Labor's capacity to undertake labor market and regulatory reforms, and measures to improve workplace productivity, individual and collective labor agreements, occupational safety and training.

A \$1.4m grant to Bolivia for a Labor Regulations Modernization Program (\$1.4 M) is financing a national consensus building dialogue to bring about labor market reform, specifically the revision of labor codes

Technical assistance and training programs to assist workers displaced by privatization or downsizing to obtain new employment in Chile, Colombia, Argentina, Ecuador, Uruguay and Peru through the Multilateral Investment Fund (MIF).

The MIF is also financing youth employment training programs in Venezuela, Peru, Paraguay, Mexico, and Argentina. These programs target unemployed, high risk youth with skills training.

- The most recent IDB Economic and Social Progress (IPES) Report concludes that Latin America has made the most progress in achieving trade liberalization and other structural reforms, but it has recorded the slowest progress in labor market issues.
- The upcoming IDB annual meeting in Cartagena will focus attention on "The employment problem in Latin America: Roots and Remedies," the subject of a seminar at the meeting.

U.S. Department of Labor

Deputy Under Secretary for
International Affairs
Washington, D.C. 20210



FAX COVER SHEET

Date: 12-24-97

To:

~~Deep~~ Nelson Cunningham

Eric

Fax Number: 456-2464

Addressee's Phone Number:

From: Andrew Samet

Fax Number: (202) 219-5980

Sender's Phone Number: 219-6043

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Remarks :

U.S. Department of Labor

Deputy Under Secretary for
International Affairs
Washington, D.C. 20210



December 24, 1997

MEMORANDUM FOR AMBASSADOR DAVIDOW

FROM:

for Andrew J. Samet *[Signature]*
Acting Deputy Under Secretary,
International Affairs

SUBJECT:

Department of Labor Comments on Summit of the
Americas Action Plan

Attached are the Department of Labor's comments and suggestions regarding labor issues addressed in points II (Democracy) and IV (Poverty Alleviation) of the draft Santiago Plan of Action. We do not have comments on labor issues related to point III (Trade) at this time since we understand this portion of the Action Plan is being negotiated primarily through a process that involves Trade Ministers.

In addition to recommending some changes to the specific action items, we have also recommended some changes to the agenda items. On point II, we have suggested language that simplifies a very convoluted sentence. On point IV we believe that, as previously drafted, the agenda item went too far in the direction of agreeing with Mexico's premise that labor issues are only a national concern. Acceptance of this premise in the Action Plan will make it more difficult to reach our broader objectives in the labor area.

cc Amb. Richard Brown
 Bryan Samuel
 Nelson Cunningham
 Karl Hoffman
 Peter Allgeier

Working for America's Workforce

12/24/97

II. Preserving and Strengthening Democracy and Human Rights

- Actions to cooperate to modernize labor market policy.

Governments will:

- Ensure labor ministries have the capacities to support the goals of the Santiago Plan of Action, enhancing their response to the needs of workers and employers, specifically by improving the quality of services offered to workers, the integration of technology into these services, the quality of labor market information, and safety and health conditions in the workplace, as well as by decentralizing, where appropriate, their presence to cover more areas within their respective countries. With the participation of the ILO and of the IDB, labor ministries will undertake international cooperation to exchange information regarding modernization experiences of Ministries of Labor of the Americas.
- Give special attention to the integration of youth, women, and the disabled into the workforce, and to the particular needs and services for such segments of the workforce and exchange experiences and information among labor ministries on best practices in these areas.

Rationale

The proposal takes into consideration a proposal advanced by the Government of Mexico at the December 10 SIRG meeting in Washington. The Mexican proposal makes the useful point that the ILO and the IDB can make useful contributions to Ministries of Labor in their efforts toward reaching the goals of the Santiago Plan and enhancing their response to the needs of workers and employers.

Paragraph 1: The second sentence of the paragraph reflects the Mexican proposal that governments should be able to draw on technical assistance from the ILO and the IDB in modernizing their Labor Ministries.

Paragraph 2: The last clause reflects the Mexican proposal that exchanges of information regarding best practices would also be a constructive activity.

12/24/97

IV. Eradication of Poverty and Discrimination

- **Actions to support the goal of ensuring quality jobs, and of safeguarding the basic rights and interests of workers and to this end, freely promote respect for relevant ILO conventions.**

Governments will:

- **Examine their own labor codes, in accordance with national legal frameworks, to ensure they provide for core labor standards; including freedom of association; the right to organize and bargain collectively; the prohibition of forced labor; the elimination of exploitative forms of child labor; and non-discrimination in employment and occupation, which are currently being discussed in international bodies, including the International Labor Organization.**
- **Assess the capacity of their labor ministries to implement adequately core labor standards as a fundamental component of productive workplaces and positive labor-management relations, including with the assistance of the ILO and IDB to help strengthen their ministries.**
- **Report on their national labor code examinations, the status of implementation and enforcement of core labor standards and progress in the area of labor management relations at a meeting of labor ministers in 1999 and subsequent meetings as appropriate.**
- **Strengthen their commitment to the observance of internationally recognized core labor standards. The ILO is the competent body to set and deal with these standards and governments affirm their support for the ILO's work in promoting them. Governments believe that economic growth and development fostered by increased trade and further trade liberalization contributes to the promotion of these standards. Governments reject the use of labor standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put in question. In this regard, governments note that the WTO and ILO Secretariats will continue their existing collaboration.**

Rationale

The proposal takes into consideration the comments made by the Delegations of Mexico, Canada, Bolivia and Trinidad and Tobago at the December 11 SIRG meeting in Washington. Mexico and Canada offered specific language suggestions to the U.S. proposal, while Bolivia and Trinidad and Tobago opined that the language of the actions items should be broadened -- along the lines proposed by Mexico -- to include actions related to core labor standards in the ILO.

Paragraph 1: The verb "review" has been changed to "examine" in the first line to make it clear that what is expected is for governments to assess internally their domestic law, without prejudging whether a change in law is necessary or desirable. The word change also responds to the concern that the direct Spanish translation of review is "revisar," which can be interpreted to mean change rather than an assessment.

Paragraph 2: This paragraph has been amended as suggested by Canada.

Paragraph 3: In accordance with Canada's suggestions, a new paragraph 3 has been created by breaking out the from paragraph 2 the concept of meetings to discuss the examinations and for other reasons. A labor ministers meeting is proposed for 1999 since labor ministers will meet in 1998 under the auspices of the OAS.

Paragraph 4: This paragraph incorporates Mexico's interest in referencing language from the Singapore WTO Ministerial Conference Declaration. Beginning with the second sentence, the paragraph cites in full the decision reached at the WTO Ministerial Conference held in Singapore in December 1996 regarding labor standards.