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Summit - Trade

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MEMORANDUM

*Encl
Looks positive
Let's discuss
C. Nelson*

FILE CLASSIFICATION: LIP.SUM

DATE: January 22, 1998

TO : David Lipton, Under Secretary
Mack McLarty, Special Counselor to the President
Amb. Charlene Barshefsky, USTR
Amb. Jeff Davidow, Assistant Secretary, State

CC : Amb. James Dobbins, Special Assistant to the President, NSC
William Schuerch, DAS
Mark Schneider, Assistant Administrator, USAID
Amb. Victor Marrero, U.S. Representative, OAS
Amb. Richard Brown, Coordinator, Summit

FROM : L. Ronald Schenman, US EXD

SUBJECT : Summit of the Americas in Santiago

*File
-Summit
-Trade*

Having reviewed the documents relating to the forthcoming Summit of the Americas in Santiago, I would like to suggest that several important initiatives in the trade area could be advanced at the Summit in spite of the uncertain status of U.S. Fast Track Authority.

Specifically, I suggest we consider a broad program financed by the IDB to upgrade the capacity of the Latin American countries, especially the smaller ones, to meet and enforce the measures to which they are committed in the WTO agreements, as well as those that will be required in the forthcoming FTAA agreements. We have already suggested such a program to the IDB as a result of the meeting between Amb. Barshefsky and President Iglesias last year and its design is now well underway. It might be very helpful to refer to it at the Summit.

On the substance, the need is great for such a program. The capacity of the governments to make the necessary changes to their domestic laws, institutional and administrative practice, as well as to enforce the issues relating to rules of origin, competition, transparency, government procurement, market access, etc., is limited both by experience and depth of staffing. Similarly the capacity of the governments to address the large body of complex rules and requirements for the financial infrastructure that will be necessary for cross border investment is also weak. Although the Finance Ministers are addressing these issues in their periodic summits, implementation capacity is spotty. I believe that there is considerable benefit to have the Presidents endorse programs to provide technical support and training for

the trade ministries, customs agencies, tax agencies and other trade and investment agencies throughout the hemisphere.

This type of program falls squarely within the mandate of the Multilateral Investment Fund (MIF) of the IDB, which has more than adequate resources to dedicate a program for this purpose. We also have both the capacity and the mandate to support a major proactive program to upgrade labor ministries and enforce labor codes which I have addressed in a separate memo. I suggest these programs be highlighted at the forthcoming Summit to demonstrate forward movement in these areas and gain impetus for the issues that will be required to build the infrastructure for hemispheric trade. These types of initiatives will be especially important if we decide to hold back on fast track this year.