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002. briefing paper	Regional Issues: Hemispheric Transparency In Arm Acquisitions (1 page)	ca. 10/1997	P1/b(1)
003. briefing paper	Regional Issues: WTO Financial Services (1 page)	ca. 10/1997	P1/b(1)

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October 13-18, 1997): Background Papers, Regional Issues

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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]
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concerning wells [(b)(9) of the FOIA]

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REGIONAL: LATIN AMERICAN HUMAN RIGHTS OVERVIEW

As multi-party elections have enabled democratically-elected governments to replace dictatorships, regional governments have made substantial improvements in their ability to protect and promote the human rights and fundamental freedoms of their citizens. Despite efforts to counter long-entrenched traditions of impunity, corruption and other official misconduct in their justice systems, these problems remain pervasive. The U.S. has repeatedly emphasized the importance of vigorous investigation and prosecution of those responsible for human rights abuses, in conjunction with improved human rights training for security force personnel.

The necessity to improve all facets of the administration of justice is a reality throughout the region. Prisons are intolerably overcrowded, often make no provision for the separation of different sexes and ages, lack basic sanitation, food service and health care facilities, and employ poorly paid and trained guards. Perpetrators of domestic violence are rarely arrested, prosecuted, convicted or incarcerated. Despite a growing framework of legal protections, the human rights of indigenous people are routinely violated in order to serve commercial interests,.

Although there is much that remains to be done, especially on issues pertaining to women and children, regional governments have made significant progress in the areas of democracy and human rights. Panama's ombudsperson has the same privileges and immunities as members of its legislative assembly, which greatly facilitates investigations of human rights abuses. Brazil, assisted by Canada, is leading efforts to draft certain action items for the democracy and human rights initiative for the April 1998 Summit of the Americas. In addition, Brazil has introduced an action plan to combat human rights abuses which includes an interministerial group to address the serious problems of racism and other discrimination. Venezuela's prosecutor general (who serves as the public ombudsperson) and intergovernmental human rights commission work together to assist the executive branch to improve compliance with international human rights norms. Argentina's human rights ombudsperson has been instrumental in coordinating human rights policy, in particular the executive response to terrorist incidents such as the 1992 bombing of the Israeli embassy and the 1994 bombing of the AMIA Jewish cultural center.

We provide grants to foundations and NGOs which support the development of civil society through USAID. These grants provide critical funding for organizations such as the Inter-American Institute of Human Rights (its executive director is Argentine). We look forward to assisting regional governments with consolidating their unprecedented gains, and continuing to increase their compliance with international human rights norms.

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FACT SHEET: HEMISPHERIC TRANSPARENCY IN ARMS ACQUISITIONS

On June 5, 1997, the Organization of American States (OAS) General Assembly adopted a significant resolution on transparency in conventional arms acquisitions. The resolution calls on the OAS member states to consider the desirability of approving a legal framework on the issue of advance notification of major arms acquisitions covered by the United Nations Register of Conventional Arms with the goal of adopting such a legal framework at the next Summit of the Americas in April 1998; the resolution also appeals on the international community to support this effort. (The UN Register is an annual report by member states on their arms imports and exports of seven categories of weapons -- battle tanks, armored combat vehicles, large caliber artillery, combat aircraft, attack helicopters, warships, and missiles and missile launchers.)

In recent years, advances in the establishment and promotion of confidence and security building measures (CSBMs) and transparency have strengthened military-to-military relations and decreased historic rivalries and tensions in the western hemisphere. Further progress on CSBMs will contribute to a regional environment that allows democratic governments to maintain and modernize defense forces without triggering suspicions from their neighbors or leading to an arms race.

In 1994, under the auspices of the Organization of American States, a CSBMs experts' meeting was held in Buenos Aires, Argentina. Chile hosted a successful Vice-Ministerial Conference on CSBMs in November 1995 which adopted the Declaration of Santiago. Next year, another follow-on ministerial on CSBMs is tentative scheduled for February 1998 in El Salvador. The Declaration of Santiago provides, inter alia, that each country gradually adopts agreements regarding advance notification of military exercises, participate in the U.N. Registers of Conventional Arms and Military Expenditures, promote exchanges of information concerning defense policies and doctrines, and invite foreign observers to military exercises.

The Declaration of Santiago on CSBMs is an important watershed in Inter-American cooperative efforts to build hemispheric confidence. Today the Americas face the challenge of finding specific ways to enhance openness and transparency. Within an environment of future modernization efforts by countries, CSBMs and increased transparency will be essential to maintaining regional confidence and stability and preventing unnecessary arms purchases.

The transparency arrangement foreseen in the OAS resolution is an unprecedented regional arms control initiative. It will make it easier for countries in the region to evaluate their security situation, and avoid unnecessary arms procurement. Such a measure will promote trust, confidence, and mutual restraint. Transparency in arms acquisition would also make it possible to

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devote maximum resources to the economic and social development of OAS member states -- one of the basic purposes of the OAS Charter.

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FACT SHEET: FAST TRACK

Fast track legislation was submitted to Congress September 17. The bill seeks broad authority from the Congress -- not limited to any one country or region -- in order to most effectively pursue our global trade agenda.

Fast track authority establishes the legislative procedure to expedite consideration of trade agreements without amendment. It preserves for Congress the ultimate decision to vote an agreement up or down, but without reopening it provision-by-provision and causing gridlock. That puts America in a strong position to negotiate trade agreements and maintain a partnership between the President and Congress that has worked for over 20 years.

The President, in consultation with Congress, will keep breaking down barriers to our products and services. That strategy is paying off for companies and workers. America is once again the world's largest total exporter, the largest producer of semiconductors and the largest producer of automobiles. Exports support over 11 million American jobs, including one in five manufacturing jobs. Over the last four years alone, exports have created 1.7 million new jobs.

More than 95% of the world's consumers live outside the U.S. Many emerging economies in Latin America will grow at three times the rate of the U.S. economy. America needs fast track to negotiate fair new trade agreements that will keep us competitive, expand our exports, create more jobs, and raise our standard of living.

As the American people prepare to meet the challenges of the 21st century, we face a critical choice: Shape the global economy to America's advantage, or turn back and fail to compete for new business, new contracts, and new jobs.

FACT SHEET: PERU-ECUADOR BORDER DISPUTE

Ecuador and Peru have had a disputed border since colonial times. Following independence, repeated efforts to establish the border failed and there were periods of tension and even conflict. In 1936 the two countries established a "status quo" line to serve as an interim border. In 1941 Peru defeated Ecuador in a war which ended with the 1942 Protocol of Rio de Janeiro, which defined the border and provided for its demarcation. The demarcation process broke down in the late 1940s, and the two countries fought several brief border conflicts, the most serious in 1995. Following the 1995 fighting, the four Guarantors of the Rio Protocol - Argentina, Brazil, Chile, and the United States - agreed to help the two countries open a diplomatic process to achieve a definitive end to their border dispute.

The Guarantors formed the Military Observers Mission Ecuador-Peru (MOMEPE) to oversee separation of forces and to police a demilitarized zone in the disputed area while efforts were underway to resolve the dispute. The United States has provided helicopter and communications support to MOMEPE since its inception. Brazil will assume responsibility for helicopter support in December 1997 with four Blackhawk helicopters recently purchased from Sikorsky. This will allow the US presence to be reduced from around 65 to about 16, most of whom will be communications support personnel.

Ecuador and Peru, with assistance from the Guarantors, are engaged in talks in Brasilia to resolve their border dispute. The first phase of the talks, in which the two parties laid out their positions, ended September 26. The second phase of the talks, in which the two sides attempt to resolve their differences, will begin in November. The third phase, in which the Guarantors offer recommendations for resolving remaining differences, should begin early in 1998.

The four Rio Protocol Guarantors will continue to assist Ecuador and Peru to negotiate a definitive and peaceful resolution of their border dispute. At the appropriate time they will be prepared to make recommendations for resolving points on which the two sides cannot reach agreement. Every effort will be made to keep the talks moving and to avoid their breaking down. The Guarantors intend to continue to participate in MOMEPE as long as Ecuador and Peru are making progress in the border talks.

FACT SHEET: EDUCATION AND TECHNOLOGY IN THE REGION

Throughout the hemisphere, education has become a rallying point for politicians, educators, families, communities and the private sector. Their interest stems from concerns that schools do not prepare children to be responsible adults in the workplace or in the region's democracies. Education is also the best tool for effectively reducing poverty in the long run. The focus is especially on public primary and secondary schools--long the forgotten, poor relatives of most of the region's national education systems, where public universities receive the bulk of national funding. Average primary school completion for the region is only 50 per cent.

Against this backdrop, the upcoming Santiago Summit of the Americas has become the forum where the democratic governments of the Americas have decided to develop a cooperative approach to several education issues: distance education, increased exchanges, using new information technology, education for democracy, worker training programs, and commitments to increase access to and quality of basic education.

Venezuela: About 94% of primary school age children enroll in school. Repetition is about 30%, and only half of students complete primary school.

Brazil: Nationwide, 79% of children are enrolled in school, but repetition rates are high. Only 20% of children complete all eight grades of primary education. Improving education has become a top priority for the Brazilian government, and nearly 6 per cent of the GNP is allocated for education.

Argentina: Nearly 100% primary school enrollment. Many statistics point to a relatively efficient education system, but primary school repetition rates have remained high.

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FACT SHEET: COUNTERNARCOTICS AND LAW ENFORCEMENT ACCOMPLISHMENTS
IN THE WESTERN HEMISPHERE

Latin American anti-drug programs, funded by the Department of State, continue to take a major bite out of the worldwide supply of cocaine. In 1996, governments in the Western Hemisphere removed nearly 300 metric tons of cocaine from the system. For an annual investment of \$150-\$250 million -- less than two percent of the entire federal drug control budget -- our programs have eliminated \$30 billion worth of cocaine.

In Brazil, State Department programs take children off the street, wean them from dangerous drugs, and rehabilitate them into productive, socialized children. The retention rate in this program -- 76 percent -- is one of the highest in the global drug rehabilitation community.

This year, the Venezuelan government extradited Justo Pastor Perafan, the last member of the Colombian Cali drug syndicate not dead or in jail. Perafan is currently in a US prison awaiting trial on drug trafficking charges.

Argentina is making encouraging inroads into the problem of illegal alien smuggling by participating in the US visa waiver program and introducing a new passport which will be difficult for criminals to alter. Additionally, the Department of State, in cooperation with the Federal Bureau of Investigation (FBI) and the US Customs Service (USCS), has designed a program of country surveys and training of law enforcement officials to identify and combat the costly crime of alien smuggling for countries that sign bilateral agreements with the United States.

Illicit transnational traffic in firearms, ammunition, and explosives poses a common threat to public safety and democratic institutions in this Hemisphere. The USG is working closely with OAS member states to craft an enforceable Inter-American Convention to Combat the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Related Materials. We hope to have a final draft of this Convention ready for signature by OAS member states before the end of this year.

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REGIONAL ISSUES: HUMAN RIGHTS IN SOUTH AMERICA

The winds of peaceful democratic change have transformed the political and social landscape throughout South America. As multi-party elections have enabled democratically-elected governments to replace dictatorships, regional governments have made substantial improvements in their ability to protect and promote the human rights and fundamental freedoms of their citizens. Despite efforts to counter long-entrenched traditions of impunity, corruption and other official misconduct in their justice systems, these problems remain pervasive. The U.S. has repeatedly emphasized the importance of vigorous investigation and prosecution of those responsible for human rights abuses, in conjunction with improved human rights training for security force personnel.

The necessity to improve substantially all facets of the administration of justice is a reality throughout the region. Prisons are intolerably overcrowded, make no provision for the separation of different sexes and ages, lack basic sanitation, food service and health care facilities, and employ poorly paid and trained guards. Perpetrators of domestic violence are rarely arrested, prosecuted, convicted or incarcerated. The human rights of indigenous peoples are routinely violated in order to serve commercial interests, despite a growing framework of legal protections.

The substantial work that remains to be done, especially on issues pertaining to women and children, does not negate the significant progress that regional governments have made in the areas of democracy and human rights. Brazil is a co-coordinator of a process implementing the democracy and human rights plank for the April 1998 Summit of the Americas's declaration of principles. In addition, Brazil has introduced an action plan to combat human rights abuses which includes an interministerial group to address the serious problems of racism and other discrimination. Venezuela's prosecutor general (who serves as the public ombudsperson) and intergovernmental human rights commission work together to assist the executive branch with improving its compliance with international human rights norms. Argentina's human rights ombudsperson has been instrumental in coordinating human rights policy, in particular the executive response to terrorist incidents such as the 1992 bombing of the Israeli embassy and the 1994 bombing of the AMIA Jewish cultural center.

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FACT SHEET: FREE TRADE AREA OF THE AMERICAS (FTAA)

Efforts are well underway to create a Free Trade Area of the Americas (FTAA) by 2005, as agreed by the hemisphere's leaders at the Miami Summit of the Americas. Formal FTAA negotiations will be launched at the Santiago Summit in April 1998.

In the preparatory phase of the FTAA process, Trade Ministers have convened three meetings in Denver, Cartagena, Colombia and Belo Horizonte, Brazil to lay the groundwork for negotiations. As a consequence of these meetings, twelve FTAA working groups were created. These working groups are compiling and analyzing technical data on trade-related hemispheric issues. A fourth meeting of Trade Ministers will be held in San Jose, Costa Rica in March, 1998, one month before the Santiago Summit. This meeting will produce a declaration describing how and what the FTAA process will negotiate.

There is general agreement among hemispheric participants that, consistent with WTO agreements, the FTAA will be crafted as a balanced and comprehensive agreement to achieve free trade through the elimination of tariff and non-tariff barriers in goods and services, as well as through the creation of high level disciplines in agriculture; subsidies; investment; intellectual property rights; government procurement; product standards; rules of origin; anti-dumping and countervailing duties; sanitary and phytosanitary measures; dispute settlement; and competition policy. Countries in the hemisphere may negotiate the FTAA individually or as members of a sub-regional integration group. Finally, the FTAA will be negotiated as a single undertaking -- in which all countries will assume all obligations of the FTAA -- and, as agreed in Miami, there will be "concrete progress" in the negotiations by the turn of the century.

U.S. exports to Latin America and the Caribbean grew more than 200% between 1990 and 1996 and the region is expected to grow by 4 -5% annually for the next several years, nearly twice the rate projected for OECD economies. But barriers remain high; it is conservatively estimated that, when non-tariff barriers are included, U.S. exports to the region face average effective tariffs of over 18%. An FTAA will establish and institutionalize fair rules of the game so that U.S. exporters and investors can compete fairly on the basis of price, quality and service.

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Twenty-Seventh Regular Session
Organization of American States
June 5, 1997
Lima, Peru

Mutual Confidence in the Americas

The General Assembly,

RECOGNIZING:

That the strengthening of peace and security in the Hemisphere is an essential purpose of the OAS and that economic and social development and cooperation among its member states are fundamental to its achievement;

That, in accordance with the Charter of the OAS and the Charter of the UN, the member states have the right to maintain armed forces for individual and collective self-defense; and

The importance of confidence-building measures for regional and international peace and security;

EMPHASIZING that the application of confidence- and security-building measures helps establish a climate conducive to effective limitation of conventional weapons, which makes it possible to devote maximum resources to the economic and social development of member states, one of the basic purposes of the OAS Charter;

REAFFIRMING the Declaration of Santiago on confidence- and security-building measures adopted on November 10, 1995, which recommended, in the best possible manner, the application of confidence- and security-building measures;

RECALLING ITS COMMITMENTS IN RESOLUTION AG/RES. 1179 (XXII-0/92) TO:

Accept as a guiding principle of regional disarmament, arms control and limitation policies the requirement to enhance security and stability at the lowest possible levels of forces consistent with defense requirements and international commitments;

Express the commitment of the Organization to effectively contribute to the efforts being made at the international level towards the strengthening of peace and security;

Maintain only such military capabilities as are necessary for self-defense and fulfillment of international commitments, consistent with their Constitutions, laws and the principles and purpose of the OAS and UN Charters; and

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Exercise restraint in conventional arms transfers with a view to preventing excessive or destabilizing arms build-ups;

AWARE that the preservation of a balance in the defense capabilities of states at the lowest level of armaments would contribute to peace and stability and should be a prime objective of conventional arms control;

CONVINCED that endeavors by countries to promote regional disarmament, taking into account the specific characteristics of each region and in accordance with the principle of undiminished security at the lowest level of armaments, would enhance the security of states and would thus contribute to international peace and security by reducing the risk of regional conflicts;

TAKING NOTE:

Of OAS resolutions AG/RES. 1409 (XXVI-0/96) and AG/RES. 1284 (XXIV-0/94), and United Nations resolution 50/70D of December 12, 1995 on transparency in armaments and that an enhanced level of transparency could contribute to confidence-building and security among States;

That the increase in openness and transparency in the arms field contributes to building mutual confidence, reducing tensions, and strengthening regional and international peace and security, and may contribute to decreasing the acquisition, production, and transfer of arms;

That there is consensus among the member states on the implementation of confidence-building measures, which include, in particular, transparency and exchange of information on arms.

RESOLVES:

1. That the Permanent Council, through the Committee on Hemispheric Security consider the desirability of approving a legal framework on the issue of advance notification of major arms acquisitions covered by the United Nations Register of Conventional Arms, as a means to achieve an effective limitation of conventional weapons that will make it possible to devote the largest amount of resources to the economic and social development of the member states, in accordance with Article 2 (g) of the OAS Charter.

2. If the Permanent Council decides on the desirability of a legal framework then it will draft it with the goal of adopting such a legal framework at the next Summit of the Americas to be celebrated in Santiago, Chile.

3. To appeal to the international community to support this effort.



Secretary of State Madeleine K. Albright

Prepared statement before the Senate Appropriations Committee
Subcommittee on Foreign Operations
Washington, D.C., May 22, 1997
As released by the Office of the Spokesman
U.S. Department of State

Foreign Aid

Mr. Chairman and Members of the Subcommittee, I am pleased to have the opportunity to testify this morning, for the first time in my new capacity. I hope very much that we will be able to continue the frank relationship we enjoyed while I served as our Permanent Representative to the United Nations. Together, we have an important job to do, and I look forward to working with you not only this year but in the future.

I want to acknowledge at the outset that this Subcommittee and members on it have been leaders in supporting an active and engaged U.S. foreign policy. We have not always agreed on all subjects, but the disagreements have almost always been on tactics not on goals. We all agree that the United States is, and should remain, vigilant in protecting its interests, careful and reliable in its commitments and a forceful advocate for freedom, human rights, open markets and the rule of law.

I am heartened that the agreement on the Budget Resolution worked out by the Administration and Congressional leaders treats international affairs as the priority it is. I know that Senator Lautenberg and others on this Subcommittee were important actors in this process and I want to thank you for your support.

Now, the action moves to appropriations. Consistent with the Budget Resolution, I hope that this Subcommittee and the Subcommittee on Commerce, Justice and State Appropriations will receive allocations sufficient to fund both our regular international programs and to pay our arrearages to the United Nations and the multilateral development banks.

I hope that my testimony this morning will help persuade any who may doubt that such an allocation would serve our nation and our people well.

Mr. Chairman, I am here today to ask your support and that of the Subcommittee for the President's request for funds for the foreign operations programs of the United States.

Put simply, the goal of those programs is to protect the interests of our citizens in an age when national borders are porous, markets are global, and many of the threats to our safety and security cannot be dealt with by any one nation acting alone.

The President's request seeks to ensure that we will have the foreign policy tools we need to sustain principled and purposeful American leadership.

It includes funds for programs that will help us to promote peace and maintain our security; to safeguard our people from the continuing threat posed by weapons of mass destruction; to build prosperity for Americans at home by opening new markets overseas; to promote democratic values and strengthen democratic institutions; to respond to the global threats of international terrorism, crime, drugs and pollution; and to care for those who are in desperate need of humanitarian aid.

Let me begin my discussion here this morning with our programs for maintaining the

security and safety of our people.

Maintaining Security.

The Cold War may be over, but the threat posed by nuclear and other weapons of mass destruction has only been reduced, not ended.

Our efforts to reduce the number and stop the spread of weapons of mass destruction contribute to what former Defense Secretary Perry called "preventive defense." We pursue these initiatives not as favors to others, but because they are a national security bargain for the American people.

With strong U.S. leadership, and bipartisan support from the Congress, much has been accomplished. Achievements range from the removal of nuclear weapons from Belarus, Kazakhstan and Ukraine to recent approval by the Senate--with the help of many members of this Subcommittee--of our participation in the Chemical Weapons Convention.

But arms control and nonproliferation are works in progress, and we will need your help and that of the Congress, as a whole, to continue that progress.

The 1994 Agreed Framework between the United States and North Korea froze and established a roadmap for dismantling that country's dangerous nuclear weapons program. With our partners, we created the Korean Peninsula Energy Development Organization (KEDO) to implement key aspects of the agreement. Our earlier commitment helped jump-start KEDO and generated contributions from Japan and South Korea that will ultimately dwarf our own.

KEDO now has 10 members--and we will bring in at least three more this year to share the burden. I appreciate the support this Subcommittee has shown in the past for our participation in KEDO, and ask your support for our proposed \$30 million contribution in fiscal year 1998. Those funds will leverage the support of others, while contributing directly to the safety and security of the American people.

I also ask your support for our proposed \$36 million voluntary contribution to the International Atomic Energy Agency (IAEA). These funds will help that agency to verify compliance with the Nuclear Non-Proliferation Treaty in more than 820 locations in 61 countries.

We are also continuing efforts to fulfill the President's call for negotiations leading to a worldwide ban on the use, stockpiling, production, and transfer of anti-personnel landmines.

Just last week, ACDA Director John Holum was in Geneva to urge the Conference on Disarmament to begin that negotiation in earnest. He also voiced U.S. support for the complementary process now underway in Ottawa. As Director Holum made clear, we don't under-estimate the challenges at the Conference on Disarmament. However, that venue does provide the best opportunity to negotiate an APL ban that is truly comprehensive and effective. This issue remains a high foreign policy priority for the United States, and I will continue to consult closely with Senator Leahy--who has been an inspiring and determined leader on this issue--and other Members of Congress concerning it.

Finally, I join President Clinton in his call last Friday for early Senate approval of the pending protocol on landmines. By strengthening the restrictions on landmine use, this protocol will help prevent many casualties and is, in the President's words "an essential

step toward a total ban."

Mr. Chairman, international narcotics trafficking also endangers Americans. The President, and law enforcement agencies and educators at all levels are committed to doing the job at home. But we cannot hope to safeguard our citizens unless we also fight this menace abroad, where illicit drugs are produced and ill-gotten gains are hidden away.

Under the President's leadership, we have moved aggressively and with results. This past year, our support for eradication and interdiction helped knock coca production in Peru to its lowest level in a decade. Cooperation with Paraguay has improved. New law enforcement cooperation agreements with Argentina, Brazil and Bolivia have been signed. And by economically targeting individuals and front companies, we have done much to disrupt the business and decrease the profits of the notorious Cali cartel.

In Mexico, drug seizures and arrests are up. New laws have been enacted to fight money-laundering. Mexico has set a precedent by extraditing its own nationals to the United States to be prosecuted for drug-related crimes. And amidst all the publicity and real problems related to corruption, it is worth remembering that 200 Mexican law enforcement personnel were killed last year in the battle against drug trafficking.

During the meeting of the U.S.-Mexico Binational Commission earlier this month, Presidents Zedillo and Clinton reaffirmed the commitment of our two nations to work together as allies to reduce demand, intercept shipments, arrest traffickers, confiscate profits and professionalize every aspect of law enforcement response. We will be working hard, in close cooperation with representatives from the White House and other agencies, to translate this commitment into further progress in the war against drugs.

We are asking this Subcommittee to support our efforts in Latin America and around the world by approving our request for \$230 million to combat international narcotics and crime. In addition to other anti-crime initiatives, these funds support our source country narcotics eradication and alternative development programs, provide material and logistical support for police and military in strategic areas, and finance our comprehensive heroin control strategy.

America is the world's leader in the fight against international terror, which continues to claim victims despite steady improvements in multinational law enforcement and information-sharing. We are persisting--and making some headway--in encouraging our allies to refrain from business as usual with Iran until that nation ends its support for terrorism. And we remain steadfast in our support for United Nations sanctions against Libya and Iraq.

To supplement our diplomatic initiatives, we have requested \$19 million for our anti-terrorism programs. These funds will be used primarily to enhance the skills of police and security officials in selected countries so that they may be more effective partners in preventing and punishing terrorist acts.

Promoting Peace.

When we support arms control and anti-terrorism efforts in other countries and regions, we advance the long-term interests and safety of Americans. The same is true when we help end conflicts and reduce tensions in regions important to the interests of the United States.

Today, I will cite three cases involving past, present or potential conflicts where our

budgetary resources are affected, our interests are engaged and our participation or leadership is required.

In the Middle East, we face an extremely difficult and complex situation in the Arab-Israeli peace process.

Since 1993, the parties have made enormous gains in transforming the political landscape of their historically troubled region and laying the foundation for an enduring peace.

In recent months, however, those gains have been threatened and the people of the region have once again become the victims of confrontation and acts of violence. The reason is that Arabs and Israelis alike are doubting their faith in the peace process and in one another.

We have, in the past, experienced setbacks to peace in the Middle East, but we have persevered. Despite present problems, we will continue to look for a way forward. That way begins with restoration of the confidence, trust and sense of shared interests upon which the peace process rests.

All parties must recognize and fully accept that there is no room for terrorism or violence as a tool of negotiation. There can be no rationalizations or room for debate on that central point.

Looking ahead, Israelis must see that terror and threats of violence will not be used against them as a means of leveraging their position in negotiations. Palestinians must see that Israelis are not taking unilateral actions which foreclose options on issues that are reserved for permanent negotiations. And both must assume responsibility for reversing the deterioration in the negotiating environment. In that regard, we have encouraged friends of peace in the Arab world not to take actions which could make progress towards peace more difficult.

Arab-Israeli peace remains a high priority for the Administration and for the United States. We have an enormous stake in the future of the region, and we remain in almost continual contact with representatives of all sides. To support our diplomacy, we must maintain appropriate bilateral assistance to Israel, Jordan and Egypt, while contributing to economic growth and the creation of democratic institutions within the Palestinian Authority.

It is also essential to American interests and to the future stability of Europe that we finish the job and fully implement the Dayton Agreement for peace in Bosnia.

Fulfillment of these Accords would produce a stable, undivided Bosnia that would cease to be a source of instability in southern Europe.

It would also make possible over time the full integration of the Balkans into European institutions; contribute to regional prosperity; bolster democracy; prevent the area from becoming a base for transnational crime; create a further bar to meddling by Iran; and create a precedent-setting model for resolving ethnic differences on the basis of justice and respect for human rights.

Since Dayton was signed, our initial security goals have been achieved and economic reconstruction has begun.

Unfortunately, there remain important areas where progress has been slow due to the failure of Bosnian leaders, especially in Bosnian Serb entity, the Republika Srpska, to

embrace political and social integration.

Today, and in days to come, we will be re-dedicating ourselves to the goal of full implementation of the Dayton Accords and to a single Bosnian state with two multi-ethnic entities. Next week, I will be visiting Sarajevo, Brcko, Banja Luka and other locations in the region. I will also be making a more detailed statement in New York tonight regarding the Administration's policy towards Bosnia.

The heart of our message is that the international community, including both civilian and military components, must re-energize its commitment to implement Dayton.

For example, while SFOR will remain principally focused on enforcing the military aspects of the Dayton Agreement, it will build on its past accomplishments by actively supporting crucial civil implementation tasks, within its mandate and capabilities. These include helping to create a secure environment for managed refugee returns and the installation of elected officials in targeted areas, and specific economic reconstruction projects which could include inter-entity telecommunications and restoring civil aviation.

Full implementation must be our goal in all sectors, and the parties cannot pick and choose those elements they prefer at the expense of others. If they are not complying on key implementation tasks, it will not be business as usual for their politicians or their military leaders. For example, if the parties do not comply with their arms control obligations, SFOR has the option to restrict military movements and training.

On the civilian side, as well, we will move ahead with fresh energy to help those in Bosnia striving to build a true national community.

For example, our Open Cities Support Project provides assistance to communities, and only to communities, that have demonstrated a willingness to allow persons from ethnic minorities to return safely to their homes.

To date, we have identified four municipalities in different parts of Bosnia to participate at a cost of \$3.6 million. We have an additional \$5 million available to help repair buildings, provide agricultural support and business credit and to train workers in eligible communities.

One city where it is especially critical that residents work for unity and peace is Brcko. Because of its strategic location and the terrible ethnic cleansing that occurred there, a peaceful, multi-ethnic Brcko would be a powerful symbol to the rest of Bosnia.

Our goal in Brcko, as in Bosnia more generally, is to reconnect what has been disconnected, to restore the flow of transportation, communication, commerce and social interaction among the various ethnic communities.

There are those who resist this process; and there are many in Bosnia and elsewhere who are skeptical that it will succeed. These are the same people who said that the war could not be ended; that Dayton could not be negotiated; and that the United States and Europe, including Russia, could never come together on behalf of a Balkans peace.

The Administration does not under-estimate the obstacles, but neither do we under-estimate the stakes. We are determined to press ahead with our partners both in and outside Bosnia to support the work of the International War Crimes Tribunal in every way we can, and to help create institutions that improve security, permit more displaced persons and refugees to return home, enhance civil liberties, and allow the institutions of a unitary, multi-ethnic and democratic state to take root.

In this effort, we pledge regular consultations with this Subcommittee and with others in Congress, and seek your support.

Mr. Chairman, of the many outbreaks of violence around the world in recent years, the interrelated conflicts in Central Africa have been the most deadly.

Today, in the Democratic Republic of Congo, formerly Zaire, our goal is to encourage a peaceful and stable transition to a new era based on democratic representation and popular responsibility.

We note that the victorious Alliance leader, Laurent Kabila, has said he intends to form an interim government that includes representatives from various components of Congolese society.

We welcome that intention and have expressed our willingness to work with others to provide appropriate help to a transitional government that demonstrates a commitment to broad-based political participation, democratic practices, and human rights.

We have made it clear that what we would like to see is a transitional government that, in addition to being broadly-representative, is also transparent in its activities, so that the Congolese people know that the days of secret looting and secret terror will not return.

We also want to see a government that respects the rights of its people, assures due process to those charged with crimes, and cooperates fully with the international community in caring for refugees and investigating reports of atrocities.

Finally, we will look to the new authorities to adopt democratic practices and build democratic institutions, to work actively to prevent Congo's fragmentation, and to foster stable and peaceful relations with its neighbors.

The Congo is a nation rich in both human and natural resources. In the weeks ahead, we will work with officials in that country and elsewhere to improve prospects for a democratic, prosperous and peaceful future. We will also consult closely with the Congress concerning the evolution of our policy.

The United States supports international peacekeeping activities that serve our interests through payment of our assessments to United Nations peacekeeping operations and through our voluntary peacekeeping account, for which we are seeking \$90 million in FY 1998. Operations expected to be funded by this account include, among others, peacekeeping and observer activities in the Great Lakes region of Africa, the Multinational Force and Observers in the Sinai, the Israel-Lebanon Monitoring Group and peacekeeping and preventive diplomacy missions of the OSCE.

As we work with others to resolve problems such as civil conflict and proliferation, we need strong partnerships with other leading nations. These are the bonds that hold together not only our foreign policy, but the entire international system.

By acting together, we are able to elevate standards of international behavior, spur economic and social progress, and strengthen the rule of law. We also leverage resources far beyond our own.

Today, for example, many of the same countries that are working to implement peace in Bosnia are also striving to build lasting stability through NATO's Partnership for Peace. This year we have requested \$70 million in military assistance for Partner countries. We are also requesting \$20 million for Central European Defense Loans (CEDL), to help

recipient countries build defensively-oriented, civilian-controlled militaries with strong ties to the United States.

While preserving NATO's traditional purposes and strengths, we are also adapting it to meet new missions and take in new members. At the July summit in Madrid, NATO will invite a number of Central European states to begin negotiations to join the alliance. As President Clinton has repeatedly made clear, this is part of a larger strategy, developed with our allies, to build a future for Europe in which every democracy is our partner and every partner is a builder of peace. Also contributing to this goal is the historic "founding act" between NATO and Russia that was reached last week, and that establishes the basis for long term cooperation on security matters. In addition, a new Euro-Atlantic Council will provide the framework for consultations involving NATO and Europe's other democratic states.

In this context, Mr. Chairman, I might add that I appreciate the counsel I have received from members of the Senate's NATO Observer Group and from other Senators with an interest in the evolution of Europe's economic and security institutions. This is a process of enormous importance and can only benefit from vigorous and wide-ranging examination of the issues.

Meanwhile, the economic, political and military evolution of nations in Asia will also have a profound effect on American security and foreign policy.

Today, we are working with allies and friends to build an Asia-Pacific community based on shared interests and a common commitment to peace.

Over the last few years, we have reinvigorated our Asian alliances while maintaining our forward deployment of 100,000 American troops in the Western Pacific. We are encouraging new efforts to build security and resolve disputes peacefully through bodies such as the ASEAN Regional Forum.

Our core alliances in Asia are as strong, and our cooperation as broad, as they have ever been. Our relationship with our closest Asian ally, Japan, is underpinned by our shared commitment to open and democratic societies. We consult regularly on issues from peace in Asia to development in Africa. We appreciate Japan's generous financial support for the Middle East peace process and for our Common Agenda of environmental initiatives around the world.

We are working closely with the Republic of Korea, another key ally, to maintain stability on the Korean peninsula and to explore possibilities for permanent reconciliation. Our cooperation is growing in numerous other areas as well, as Seoul, anchor of the world's 11th-largest economy, takes on a larger regional and global role.

We are also deeply engaged in managing our complex relationship with China, as it emerges as a key Asian and global power.

The evolution of our relations with China will depend primarily on how China defines its own national interests during the remainder of this century and into the next. Through our strategic dialogue, we are encouraging the Chinese to accept what we believe is true--that China will be able to find greater security, prosperity and well-being inside a rule-based international system than outside. Accordingly, the President has decided to renew China's most-favored-nation trading status, equivalent to normal trading relations, for the coming year.

Currently, China is constructively engaged with the international community in some areas; in some, it is not. We have been able to work together well with respect to the

North Korea nuclear issue and banning nuclear tests. We have also made progress on a range of specific commercial concerns and laid the basis for cooperation on responding to global threats of terrorism, crime, drugs and pollution.

We do, however, still have important differences with China, especially on trade, arms-related transfers and human rights, including Tibet. We do not hesitate to raise these differences privately with China's leaders, or to express our beliefs publicly concerning the need for all countries to respect international standards. We will continue to voice strong concern about the need for China to meet its commitments concerning Hong Kong, a message that I will deliver, in person, at the time of the former colony's reversion to Chinese authority on July 1. And, while we will adhere to our "one China" policy, we will also maintain robust unofficial ties with Taiwan.

Promoting Democracy

Mr. Chairman, America's global leadership is derived not only from our economic and military power, but from the power of our ideals. And fundamental to American ideals is our commitment to democracy.

Today, in Burma, as the Chairman has often and eloquently reminded us, a legitimate democratic movement with demonstrated popular support has been brutally repressed. That movement has urged the international community to limit foreign investment. What is more, Burma's government protects and profits from the world's largest heroin trafficking enterprise.

Last month, in response to deepening repression in Burma, President Clinton decided to impose investment sanctions under a law approved last year by Congress. In combination with the earlier actions we and other nations have taken, together with shareholder and consumer pressure, we believe this step will deal a further blow to investor confidence in Burma. It has sent a message to the military regime that it will not attract the capital investment it needs unless it begins a genuine dialogue with its own people.

We also bolster democracy through our economic support and development assistance programs in selected countries around the world. For example, we are requesting \$202 million in economic support funds for democratic development in countries such as Haiti, Angola, Cambodia and for regional programs that promote respect for civil liberties and the rule of law.

We are also continuing major programs for strengthening democratic transitions in Central Europe through the Support for East Europe Democracy (SEED) program and in the New Independent States (NIS).

The transition from Communism to democracy is the product of Central European courage, energy and vision. But the United States may be proud of the role the SEED program continues to play in assisting the process of economic and political reform. What was once said about the Marshall Plan may fairly be said about this program, it has served as "the lubricant in an engine--not the fuel--allowing a machine to run that would otherwise buckle and bind."

Through SEED, for which we are requesting \$492 million this year, we have been able to serve as technical adviser on the ways and means of building democratic institutions and processes, developing financial sectors that attract investment and coping with energy and environmental problems.

Clearly, progress has not been even either over time or among countries in the region.

But the overall direction has been steady in the direction of less centralization, increased reliance on private enterprise, more civil liberties and greater development of the rule of law.

Central and eastern Europe remain as important to American interests today as when the original SEED act was passed. The nations here are proving that democracy and economic prosperity can be built on the ruins of failed communist systems--a valuable example for countries further to the east. Central Europe is a growing market for U.S. goods and services, and a gateway to the vast potential markets in Russia and Ukraine. Finally, a peaceful, democratic Central Europe gives the U.S. and the Atlantic alliance greater assurance of security at a relatively low cost.

A democratic Russia is also an essential partner in our efforts to build a secure Europe. Russia's transition has been arduous and uncertain. More difficult times lie ahead. But open markets and democratic institutions have taken hold. If Russia is to become a full and productive partner in a Europe at peace, that progress must continue.

The United States has a profound interest in encouraging Russia to continue its democratic and economic reforms, to respect fully the sovereignty of its neighbors, and to join us in addressing critical regional and global issues.

In Helsinki, Presidents Clinton and Yeltsin issued a joint statement outlining their commitment to stimulating growth and investment in Russia, advancing Russia's integration into international organizations and citing President Yeltsin's plan to launch Russia on its next phase of reform.

In recognition of the progress that has been made, and of the magnitude of our stake in the strengthening of market democracies in the region, we have this year revamped our assistance program to Russia and the other NIS. Of the \$900 million we have requested, \$528 million will fund a new Partnership for Freedom.

This initiative will concentrate on activities to promote business, trade and investment and those that would more fully establish the rule of law. It will support opportunities for U.S. business and help support partnerships with private U.S. organizations. And it will increase professional and academic exchanges.

In the aftermath of the Soviet Union's disintegration, the NIS had to build their government institutions from the ground up. In most cases, media and basic market institutions, such as banks, capital markets and regulatory institutions remain at early stages of development.

In several countries, economic reform has advanced faster than democratic reform. We are concerned, for example, by the undermining of parliamentary independence in Belarus, by continued repression in Turkmenistan and by the disputed nature of elections held last fall in Armenia.

We are concerned, as well, that in some sectors of the NIS, weak institutions of government have led to a vacuum of effective authority that has opened the way to a rapid increase in criminal activity. This is hampering fledgling democratic institutions, creating social instability and discouraging foreign investment.

We have responded by substantially increasing the proportion of our assistance that is designed to strengthen law enforcement and judicial institutions and promote the rule of law. Since 1995, for example, we have provided law enforcement training to nearly 10,000 officials in Central Europe and the NIS. We have developed regional criminal justice training programs for more than 1,000 law enforcement officers and prosecutors

at the International Law Enforcement Academy in Budapest. And we have greatly increased our formal cooperation with Central European and NIS governments through agreements that allow us to share information and coordinate investigatory, prosecutorial and crime preventive activities.

Throughout this region and, indeed, the world, the United States represents the potential of democracy. Wherever we are visibly involved and engaged, we give hope to people who believe in freedom and who want democratic institutions to succeed. By building partnerships with other freedom-loving peoples, we sustain the growth of open markets and democracy that has enhanced our own security and prosperity, and which has been the signature element of our age. If, however, we were to abandon or walk away from our partners in these countries, we would heighten the possibility that their societies would retreat into repression or dissolve into the disorder within which terrorists and criminals thrive.

Certainly, assistance to the strategically-located and energy-rich democracies of Central Asia and the Caucasus is strongly in our national interest. The purpose of our aid is to help small businesses gain a greater foothold and to assist nascent democratic organizations, such as the independent media, public interest groups and educational institutions establish active, effective roles.

In this connection, I note that the Administration continues strongly to oppose section 907 of the Freedom Support Act, which undermines U.S. influence and policy flexibility in the Caucasus region and Azerbaijan.

The Administration continues to support assistance for Ukraine as part of our long term strategic partnership with that country. Last week's first full meeting of the U.S.-Ukraine Binational Commission underscored the value we place on a stable, democratic Ukraine that is working cooperatively with us on a range of issues. During those meetings, we were able to express our support for the process of economic and political reform, while also expressing concern about the problem of corruption that has been chilling outside investment in Ukraine.

Promoting Prosperity.

Mr. Chairman, peace and security are paramount goals of our international programs, but promoting economic prosperity is another top priority.

The Clinton Administration has had extraordinary success in helping our economy grow at home by opening markets abroad. Our exports have grown by 34% since 1993, generating 1.6 million new jobs. Since the North American Free Trade Agreement entered into force three years ago, U.S. exports to Mexico have risen by more than one-third and overall trade has more than doubled. We have laid the groundwork for free and open trade in our hemisphere by 2005 and in the Asia-Pacific region by 2020. And we have put our full weight behind better enforcement of intellectual property standards, and fuller consideration of core labor rights, at the World Trade Organization.

Looking ahead, we all know that competition for the world's markets is fierce. Often, our firms go head-to-head with foreign competitors who receive active help from their own governments.

Our goal is to see that American companies, workers and farmers have a level playing field on which to compete.

As long as I am Secretary of State, our diplomacy will strive for a global economic

system that is increasingly open and fair. Our embassies will provide all appropriate help to American firms. Our negotiators will seek trade agreements that help create new American jobs. And I will personally make the point to other governments that if their countries want to sell in our backyard, they had better allow America to do business in theirs.

Fortunately, our diplomats are doing their jobs. One of the pleasures of my own job is hearing about compliments from American corporations like this one. After executing a contract to build a power generating plant in Yemen, officials from CAE Development of Lexington, Kentucky wrote that "Every Department of State employee contacted was top notch and eager to help...we could not have obtained this contract without their help."

But our diplomats and our businesspeople need your commitment as well, and your support for our requests for the Export-Import Bank and the Trade and Development Agency.

The Overseas Private Investment Corporation, I am pleased to say, is now self-sustaining. Its commitments have grown by a factor of five over the last five years, and it has shown profits repeatedly, reaching \$209 million in 1996.

Promoting Sustainable Development

Mr. Chairman, many of America's fastest-growing markets are in developing countries, where the transition to an open economic system is underway, but incomplete. Often, these countries are held back by high rates of population growth, lack of access to health care and education, a scarcity of natural resources or conflict.

When democratic institutions in a developing country are weak, that country will be less likely to grow peacefully, less inclined to confront international terrorists and criminals, and less able to do its part to protect the environment.

That is why our sustainable development programs are a sound investment in American security and well-being.

This year, we have given them a new focus on one of the most basic problems that stifles development and sparks conflict--food security. Programs to improve the dependability of crops and distribution of food in Africa can help make sure hunger is no longer a constant threat to the lives of people and the stability of societies.

Our financial support and pressure for reform have helped the United Nations Development Program to become the central coordinating and funding mechanism for UN development assistance. Every dollar we contribute leverages \$8-10 from other nations in support of Bosnian reconstruction, Rwandan judicial reform, and Cambodian de-mining--to name just a few projects. I urge this Subcommittee to support the President's full request of \$100 million for UNDP.

We have maintained our request for funding for UNICEF at \$100 million for FY 1998. Like UNDP, UNICEF plays an important role in countries suffering from, or recovering from, the devastation caused by civil or international conflict. UNICEF helps protect children--a society's most vulnerable members and its hope for the future--from the Balkans to Liberia.

We have requested \$795 million for population and health programs. By stabilizing population growth rates, developing nations can devote more of their scarce resources to meet the basic needs of their citizens. Moreover, our voluntary family planning

programs serve our broader interests by advancing the status of women, reducing the flow of refugees, protecting the environment, and promoting economic growth.

We are developing forward-looking programs to protect the global environment and promote sound management of natural resources with our request of \$341.5 million. Of this amount, AID programs totaling \$290 million are used for projects such as helping to reclaim land for agriculture in Mali, cut greenhouse gas emissions in the Philippines and acquire American "green technology" in Nepal.

Our \$100 million request for the Global Environment Fund (GEF) provides loans for developing country projects to preserve biodiversity, inhibit global warming, protect oceans, and mitigate depletion of the ozone layer. A key U.S. priority in the GEF is to increase support for private sector efforts on behalf of sustainable development, including new tools such as project guarantees and equity investments in promising environmental technology firms.

As Treasury Secretary Rubin testified earlier this week, we have also requested an increase to restore full funding and begin to pay our debts to the multilateral development banks and the IDA, where our support for reform has achieved results. For example, the World Bank has increased accountability and transparency while cutting its administrative budget by 10 percent, and the African Development Bank has tightened lending rules, cut staff by 20 percent and appointed external auditors.

The Budget Resolution provides you with the flexibility to respond favorably to our request, and we hope you will take advantage of the opportunity to maintain U.S. leadership in these institutions.

Providing Humanitarian Assistance

The President's request of \$650 million for Migration and Refugee Assistance would enable the United States to continue contributing to the relief of those victimized by human or natural disaster. We have also requested that our international disaster assistance and Office of Transition Initiatives programs be funded at the same levels as last year.

Conclusion.

Mr. Chairman, I know that supporting foreign assistance is not the easiest vote for a Member of Congress to make. Americans, all of us, are deeply concerned about problems here at home; about the budget, about the quality of our schools, about crime.

No one understands better than the President that we cannot hope to lead abroad unless we are first strong at home. That is precisely why he has placed his primary emphasis on building a strong and growing domestic economy.

But the Administration also knows that neither our history, nor our character, nor our self-interest will allow us to withdraw from the center stage of global political and economic life. In today's world, domestic policy and foreign policy are no longer separable things.

There is, after all, no more immediate or local an issue than whether our sons and daughters will someday be called upon to do battle in big wars because we failed to prevent or contain small ones.

There are few more significant economic issues than whether we will find ourselves forced into a new arms race because of setbacks in the former Soviet Union or because

nuclear weapons have fallen into the wrong hands.

There are few goals more important to our workers than opening new markets for American goods overseas.

There are few matters more urgent for our communities than reducing the flow of drugs across our borders.

And there are few questions more vital for our children than whether we will bequeath to them a world that is relatively stable and respectful of the law, or one that is brutal, anarchic or violent.

A half century ago, a great American generation, led by President Truman, and supported by Members of Congress from both parties, rose above the weariness of war's aftermath, and the temptation of isolation, to secure the future. Working with our allies, they made the investments, and built the institutions, that would keep the peace, defend freedom and create economic progress through five decades.

Members of the Subcommittee, it is up to us in our time to do what they did in their time. To support an active role for America on the world stage. To protect American interests. To keep American commitments. And to help where we can those from around the world who share our values.

In that effort, I pledge my own best efforts as Secretary of State. And I earnestly solicit your support.

Thank you very much. And now, I would be happy to respond to any questions you might have.

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Secretary of State Madeleine K. Albright
Address and Question & Answer Session to
The Pacific Council on International Policy and
The Los Angeles World Affairs Council
Los Angeles, July 23, 1997
As released by the Office of the Spokesman, July 24, 1997
U.S. Department of State

Address as Delivered

President Mack, President Lowenthal, guests and friends, good afternoon. Thank you, John Cooke, for that introduction. A lot of people have always asked about my pins. Today, in your honor, I have on a Dalmatian.

When I was Ambassador to the UN, I said that one of my qualifications for that job had been that when I was in the tenth grade in Colorado, I won the United Nations for the Rocky Mountain Empire because I could name all the fifty-one countries of the UN at that time in alphabetical order. I certainly could not name the 184 members that are there now and I could not even do it with all of the Consuls that are here today. It is a sign of the great growth in this country of our concern about international affairs and I welcome all the members of the consular corps here.

I would like to thank the World Affairs Council and the Pacific Council for hosting this event. As much as I love Washington, where the temperature has been averaging about 300 degrees, I am delighted to be here in Los Angeles. This is one of my favorite cities and the home of my distinguished predecessor, Warren Christopher.

I said when I was nominated by President Clinton that I only hoped my heels could fill Secretary Christopher's shoes. Now, six months into the job, I am even more respectful of the responsibilities that go with the office he filled with such dignity and success.

The truth is that I love my job. And the part I love most is working to establish a true dialogue between the people who conduct our foreign policy--that is, among others, me--and the people in whose good name that policy is conducted--that is, among others, you.

This dialogue matters because, in our democracy, we can not carry out diplomatic initiatives very well or for very long without your understanding and support. So I am pleased to be here and I encourage you to sit back, digest your lunch, and think of the easiest possible questions to ask after my speech.

This afternoon, I want to talk with you about the opportunity we now have to bring nations on every continent closer together around basic principles of democracy, open markets, law and a commitment to peace.

We have this opportunity because past generations of Americans have accepted the mantle of leadership, built alliances to defend freedom, designed institutions to foster prosperity and done honor to timeless values of democracy and human rights.

We must remain true to this tradition of leadership if we are to enter the next century strong, respected and at peace; and under the direction of President Clinton, we are.

In Europe, we are striving to realize the age-old dream of a continent united, stable and free. To deter future conflict, NATO has invited new members from among the region's

emerging democracies while holding the door open to others. Historic partnerships with Russia and Ukraine have been forged. And nations from throughout the region have come together in Bosnia to implement the Dayton Accords.

We do this because it serves our interests, because it keeps faith with the commitments we have made, because it reflects the kind of people we are, and because it is right.

In the Middle East, despite setbacks, the essential logic and structure of the peace process remains. For Israel, for the Palestinians, and for the region, the path to security and prosperity is the path of reconciliation. The United States cannot impose peace, but as President Clinton has made clear, we can and will remain resolute in opposing terror and in supporting those with the courage to pursue peace.

In Latin America and the Caribbean, we are working with our democratic partners to expand commercial ties, achieve social progress, combat the scourge of drugs, and deepen political and economic reforms.

We are also working to improve the quality of life on both sides of our 2,000-mile-long border with Mexico. As the recent elections indicate, Mexican democracy is thriving, and we are working jointly with its government on issues from law enforcement to clean water to immigration to trade.

In Africa, poverty and disorder remain grave problems, but more and more leaders are adopting policies that produce growth and foster democracy. Last month, President Clinton announced a plan to stimulate commerce, reduce debt, provide technical aid and otherwise help those in Africa who are doing the most to help themselves. We are determined, as we prepare for the next century, that no continent should be left behind.

Finally, we are continuing to build a new and inclusive Pacific community based on stability, shared interests and the rule of law.

U.S. objectives in Asia, especially in Southeast Asia, are very much on my mind. Tomorrow, I will leave for Malaysia for the annual meeting of the Association of Southeast Asian Nations, better known as ASEAN. While in Kuala Lumpur, and later in Singapore, I will discuss a full range of issues with my regional counterparts.

This trip is my third to Asia in the six months I have served as Secretary of State. This reflects the priority we have placed on improving ties throughout the Asia-Pacific. Our strategy is to work with our many friends in this region of rising powers to ensure stability, build prosperity and promote democracy.

Towards the first of these goals, we are fortifying our core alliances. We are maintaining our forward deployment of troops. And we are supporting new multilateral security dialogues such as the ASEAN Regional Forum.

The growing importance of the Forum reflects the fact that, in our era, security in the Asia-Pacific is not a zero sum game. Forum participants include not only the members of ASEAN, but also--among others--the United States, China, Russia, Japan, the European Union, India and Korea. Each has an interest in stability, in seeing disputes resolved peacefully and in avoiding misunderstandings that could lead to armed conflict.

While in Kuala Lumpur, I will urge my colleagues to join in supporting measures to reduce the threat posed by nuclear and advanced conventional arms, to cooperate in reducing tensions caused by conflicting claims in the South China Sea and to ensure freedom of navigation in South Pacific sea lanes, through which one-fourth of the

world's oceangoing freight is transported.

I will also emphasize the value of ASEAN support for efforts to maintain stability on the Korean Peninsula. The Agreed Framework with North Korea, negotiated three years ago under Secretary Christopher's leadership, has frozen and will eventually dismantle North Korea's dangerous nuclear program. But we need the continued support of our Asian and other partners to finance the Framework's implementation.

This backing is especially vital now, as we prepare for potentially historic talks with Seoul, Pyongyang and Beijing for the purpose of achieving permanent peace on the Peninsula. In the meantime, we are continuing to respond positively to a United Nations appeal for food to ease hunger among the North Korean people.

The second essential contributor to a strong and vibrant Pacific community is economic growth.

Under President Clinton, we have had great success in using our diplomacy to build prosperity. More than 200 trade agreements have been negotiated, including NAFTA and the Uruguay Round. The resulting increase in exports has created an estimated 1.6 million new American jobs.

During this time, we have negotiated 23 market access agreements with Japan alone, and we are working hard to improve market access and protection of intellectual property rights in China.

These accomplishments matter especially to California, which has been America's gateway to the Pacific for more than 150 years. Today, your state accounts for almost one-sixth of U.S. exports, and nine of your top fifteen markets are in Asia.

Recent export growth has helped California replace well-paying defense jobs with equally well-paying jobs in high-tech. And it has certainly benefited Los Angeles, with its huge port facility and its status as an unofficial capital of the emerging Pacific Rim.

All of this is to the good, but if growth is to continue, America must continue to open new markets. It is to that end that President Clinton plans to ask Congress for fast-track negotiating authority this fall. The President needs fast-track to gain agreements to open up critical sectors of the global economy, such as the one we reached last year on information technology.

He will need that authority to pursue new trade agreements and to maintain momentum towards our long term goals of agreeing on a Free Trade Area for the Americas by the year 2005, and of achieving open trade and investment across the Pacific by the following decade.

Every President since President Ford has had and has used fast-track authority to the benefit of the United States. Extending it now to President Clinton is critical. At stake is the chance to expand trade further and create more American jobs.

At stake, as well, is the indispensable contribution that our economic leadership makes to U.S. influence around the globe. American prestige is not divisible. If we want our views and our interests respected, we cannot sit on the sidelines with towels over our heads while others seize the opportunities presented by the global marketplace.

That is why, from a foreign policy perspective, I consider fast-track to be among our highest legislative priorities. And it is why I will be working hard with the President and my cabinet colleagues to gain Congressional support for it this fall.

Creating the rules for a more open global economy is one challenge; ensuring that those rules are implemented is another.

As long as I am Secretary of State, our diplomacy will strive for a global economic system that is increasingly open and fair. Our embassies will provide all appropriate help to American firms. Our negotiators will seek trade agreements that help create new American jobs. And I will personally stress the point--as I have in visits to our principal trading partners--that if countries want to sell to us, they had better allow America to sell to them.

During the meetings this weekend, economic and trade issues will be prominent. ASEAN comprises collectively our fourth largest trading partner and possesses a half trillion dollar regional economy that is expected to double within ten years.

It is in our interest to encourage ASEAN to continue opening up markets and liberalizing trade. That is precisely what I will do in Kuala Lumpur, where I will press for better enforcement of intellectual property rights, greater transparency in government procurement and higher standards against bribery and corruption.

I will also ask ASEAN's help in reaching a worldwide agreement this year to liberalize financial services.

Throughout our diplomacy, the argument that we make, and that underlies the very concept of ASEAN, is that economic progress is contagious. As recent currency de-valuations in Southeast Asia indicate, the shape and scope of economic expansion will vary country to country and year by year. New competitors will arise and new technologies will be developed. Market shares will wax and wane. But over the long term, the road to prosperity for each is the road to prosperity for all.

Building security and maintaining momentum towards economic growth are two of the goals we will be discussing with our partners in Malaysia this weekend. A third is support for democracy and internationally-recognized human rights.

Last month, I made my first visit to Vietnam. I found a nation bursting with energy, blessed with a young and literate population, eager to become more fully integrated into multilateral economic and political institutions, and cooperating with us in our priority of accounting for Americans still missing from the war in Southeast Asia.

I also found a government torn between its desire to encourage development and its reluctance to give more than lip service to international norms of political openness and respect for human rights.

My message was clear. The United States wants full normalization of relations with Vietnam. We want to see the people of Vietnam prosper. But we also believe that economic progress will proceed far more rapidly if accompanied by a healthy dose of political reform.

Overall, I am optimistic about Vietnam. Its people face many obstacles. Its government is still hampered by habits of the past. The country still has a very long way to go. But Vietnam is a nation on the move, and it is moving in the right direction.

Unfortunately, the same cannot be said of its neighbor, Cambodia. There, in recent weeks, democracy has taken a giant step backwards. The coalition government installed four years ago has split. The number two Prime minister, Hun Sen, has seized full power. The number one Prime Minister is in exile. And dozens of people have reportedly been murdered.

As a result, ASEAN has suspended plans to admit Cambodia as a new member. The United States has suspended aid, condemned violations of human rights and cautioned against any effort to legitimize the political role of the notorious Khmer Rouge.

During my meetings in Kuala Lumpur, I will consult closely with ASEAN and other nations that have played a role in helping Cambodia. My purpose will be to maintain broad international pressure on Cambodian authorities to respect the 1991 Paris Peace Agreement, allow political parties to operate freely and prepare for fair elections next year.

As the past informs us, there is much at stake in Cambodia.

The humanitarian risk is embodied in our memory of the refugees who spent a decade in camps along the Thai border.

The threat to regional stability is recalled in the cross border invasions of Cambodia by Vietnam and of Vietnam by China in the late 1970's.

The persistence of evil is underlined by the survival of Pol Pot.

And the terrible costs of violence are reflected in the pyramid of skulls Cambodia maintains as a reminder of the genocide.

For all of these reasons, the international community was right to invest in peace in Cambodia, and we are right to insist now that the government in Phnom Penh live up to its obligation to respect democratic principles.

Hun Sen initially rejected ASEAN's help in negotiating a solution to the current crisis. Today, through his spokesman, he appears to have accepted ASEAN's offer of mediation. He has also promised to restore the coalition government and observe the rule of law. The United States will use its leverage and do all we can in partnership with others to see that Hun Sen's words are translated into concrete actions. This will be one of our primary goals at the meetings this weekend in Kuala Lumpur.

Another brake to the region's progress is Burma, a deeply-troubled nation that is about to become an ASEAN member.

As in Cambodia, democratic elections in Burma were forcibly overturned. Here, too, elected leaders have been arrested, persecuted and exiled. And here, too, the lack of a fully legitimate government has created a climate of lawlessness that threatens stability. It is no accident, after all, that Burma is the world's leading producer of heroin. And it is only right that Burma is subject to international sanctions and consumer boycotts.

The novelist George Orwell once wrote a book entitled "Burmese Days." Unfortunately, the Burma of today resembles more closely another Orwell novel--1984. The authorities there are among the most repressive and intrusive on earth.

To overcome the repression that is isolating and holding Burma back, Aung San Suu Kyi, the Nobel Prize-winning leader of the democratic opposition, is seeking a dialogue aimed at achieving a peaceful transition to popular rule.

Movement towards such a democratic Burma would reduce the tensions caused by refugees and armed ethnic groups. It would create respect for law. And it would lay the groundwork for a revival of Burma's economic and political institutions that would allow that proud country to become a contributor, rather than a liability, to ASEAN.

Until that happens, Burma may be inside ASEAN, but it will remain outside the Southeast Asian mainstream. By admitting Burma as a member, ASEAN assumes a greater responsibility; for Burma's problems now become ASEAN's problems. And the goal of democratic change and respect for human rights in Burma becomes not only a national, but a regional and global imperative.

The choice in Burma, Cambodia, and elsewhere is not between so-called Asian values and beliefs imposed by the West. As Anwar Ibrahim, Malaysia's Deputy Prime Minister, recently wrote, "each country must find its own path to civil society. Yet, there are core humanitarian values (by which) we are (all) bound."

In recent years, there are some--both in Asia and the United States--who have warned that the future will be one of inevitable conflict between East and West, a clash of civilizations, a showdown between different cultures and values.

Others have pointed to the phenomenon of globalization--the massive intermingling of people, ideas and products--to suggest that differences between peoples are gradually being smoothed away. Still others see globalization as a tool by which developed countries are re-colonizing the poor.

I am a diplomat, not a fortune-teller. But I am also a student of history. And my view is that generalizing about whole societies and cultures is both dangerous and unwise.

I find it neither likely, nor desirable, that distinctions of national identity and culture will melt away no matter how pervasive globalization becomes.

But I find compelling reasons, based on the best interests of societies rich, poor, east, west, north and south that we reach across the boundaries of geography and culture to build an international system that will brighten futures from Seoul to Santiago, and from Juneau to Johannesburg.

To strengthen and broaden that system, we must be forthright about the value of open markets, open politics and the rule of law. We must be willing to include within the system every nation on every continent that is willing to abide by its rules.

And we must accept our obligation, as Americans, to play a leading role. As I said this June at Harvard University, on the 50th anniversary of George Marshall's announcement of the Marshall Plan, that is the role we have played for half a century -- not as the sole arbiter of what is right and wrong, for that is a responsibility widely shared, but as a pathfinder -- the nation able to show the way when others cannot.

Every nation that seeks to participate in the international system, and that is willing to do all it can to help itself, should have America's help in finding the right path.

Today, the greatest danger to America is not some foreign enemy; it is the possibility that we will turn inward; that we will allow the momentum towards democracy to stall, take for granted the principles and institutions upon which our own freedom is based, and forget what the history of this century reminds us, that problems abroad, if left unattended, will all too often come home to America.

A decade or two from now, we will either be known as the neo-isolationists who allowed tyranny and lawlessness to rise again or as the generation that solidified the global triumph of democratic principles.

We will be known as the neo-protectionists whose lack of vision produced financial chaos or as the generation that laid the groundwork for rising prosperity around the

world.

We will be known as the world-class ditherers who stood by while the seeds of renewed global conflict were sown or as the generation that took strong measures to forge alliances, deter aggression and keep the peace.

There is no certain roadmap to success, either for individuals or for generations. Ultimately, it is a matter of judgment, a question of choice.

In making that choice, let us remember that there is not a page of American history of which we are proud that was authored by a chronic complainer or prophet of despair. We are doers.

We have a responsibility in our time, as others have had in theirs, not to be prisoners of history, but to shape history; a responsibility to play the role of pathfinder, to join in constructing a global network of purpose and law that will protect our citizens, defend our interests and preserve our values for the remaining years of this century and through the next.

Thank you very much.

MODERATOR: Madam Secretary, following the procedure outlined by Curtis Mack, we have been collecting questions. I have been listening carefully to what you have said and at the same time looking at these questions. On my end of the table, we have received over fifty questions. They deal with such issues as Bosnia, Northern Ireland, Iran, Kashmir, the Czech Republic, Mexico, Cuba, human rights, intellectual property, drugs, the clash of cultures, nuclear proliferation, the appointment of ambassadors -- specifically, the appointment of the ambassador to Mexico -- NATO enlargement, the future of the film and music business, the Middle East and so on.

With that laundry list, I tried to select those that seem to be repeated by several different people, that indicated a general interest. I would have to say the first of those has to do with NATO enlargement. There were, I think, four that asked about that. One of them put it this way: The original rationale for NATO was to defend western European nations against the Warsaw Pact alliance. Now that the Soviet Union is gone, along with the Warsaw Pact threat, why don't we disband NATO, rather than expand it?

SECRETARY ALBRIGHT: I am very glad, actually, that there was a compilation of questions to do with that, because it is clearly one of the major issues of our time -- how to take what is clearly one of the world's greatest military alliances and make it relevant for the end of the twentieth century and into the twenty-first century.

First of all, President Clinton wanted very much, and has said so many times, to have at the end of the century what has not been possible throughout the century, which is an undivided and free Europe. That has been a dream of many Europeans and also of Americans. Not just because it sounds good, but because it is a way to overcome the instability which has plagued Europe and which is exactly the kind of point that I made in my speech -- problems that are not dealt with early enough often come home to America. In fact, Americans have gone to Europe twice in "hot" wars and once in a Cold War to make sure instability in central and eastern Europe does not spread and create problems for the United States.

The issue here was how to do for central and eastern Europe what the Marshall Plan and NATO did for western Europe. The idea is to expand NATO to those countries that are capable and willing to take on the responsibilities of NATO, because being a member of NATO is a privilege and not a gift. So two weeks ago in Madrid we were among those

NATO countries that issued an invitation to the first three new entrants -- that is Poland, the Czech Republic and Hungary. They will be coming in. Their letters of invitation have been issued. The accession formula programs will be taking place in the balance of this year. Our debate in Congress and in all of the parliaments of the NATO members will begin next year.

The reason that we did it -- to repeat -- is in order to deal with what we now see as the major threat in central and eastern Europe, and that is instability. And already, as a promise by these new countries that have come in to NATO, they have already dealt with some of their very serious border disputes because they wanted to get into NATO. So the Czechs and Germans have dealt with a border problem and also with some problems that remained after the Second World War. Romania and Hungary have made agreements. There has been a whole set of issues that has come up that has strengthened the idea that countries in central and eastern Europe ought to work together.

NATO is being revitalized and made more relevant to the end of the twentieth century and twenty-first century and we believe that this is exactly the kind of approach that one needs to take to make sure that small problems do not come home to America so that we have to deal with them in "hot" wars.

MODERATOR: We have a number of questions from just about every particular point of view you can imagine asking you to comment on the things happening in the Middle East -- the peace policy. And also a very personal question for you as to how the recent revelations in your life might affect your interest in resolving the Middle East problem.

SECRETARY ALBRIGHT: The Middle East issues are obviously ones that are on President Clinton's and my mind constantly. We have been meeting and dealing with those issues for some time -- in the first Clinton Administration and now in the second Clinton Administration.

We are very concerned about the deteriorating situation in the Middle East. We have been considering various ways to ensure that the parties themselves take some of the hard decisions. The issue for us is that the United States clearly has played a key role in terms of always being there as the honest broker, of being a catalyst sometimes to get the parties together. We are now dealing with the problem that the Palestinians must understand the importance of security to the Israelis. The Israelis need to understand the importance of not taking unilateral moves on the permanent status issues. The two parties themselves must be the ones to make the hard decisions. We cannot do that for them. We will be there as they take the decisions and we will play the central role that the United States has always played.

I am hopeful that this period that has been so difficult will come to an end and that we will be able to get the peace process reinvigorated. We are working on it hourly and have in fact been meeting on it in Washington just as I left. So it is an issue of major importance to us.

I am hopeful because I think ultimately the people who live in the region are the ones who are suffering from terrorism and from the pain of not knowing how their future will be carried out. The peace process has been one of the brilliant undertakings of previous leaders and the Clinton Administration is determined to follow it out.

My personal story is my personal story. I am an American and I see the peace process from the perspective of an American citizen who cares deeply, as have all Americans, about making sure that peace does in fact come to that troubled region.

MODERATOR: With regard to China and a number of other authoritarian regimes

around the world, United States policy is to encourage the gradual process of improving respect for human rights through engagement, increased commercial and cultural and quiet pressures. Why isn't that approach tried with Cuba?

SECRETARY ALBRIGHT: Why do I always get that question? I have often said that our foreign policy cannot be a cookie-cutter policy. We need very much to take the appropriate approach for each country depending on that country's importance to us, its location, its size, its influence throughout the world and the necessity of the United States to have different relations with different countries -- different strokes for different folks.

The issue for us to understand is that the relationship with China is one of the major relationships that the United States has now and will have into the twenty-first century for reasons that I think are obvious the way the questioner worded the question itself. I am looking forward, in Kuala Lumpur, to having one of my series of discussions with my counterpart, Foreign Minister Qian Qichen, on a whole host of issues that we talk about with China. What is clearly important to us is the developing strategic relationship with China where they are working with us to lessen nuclear proliferation. They play a very important role as far as Cambodia is concerned. They play an important role in our talks with Korea. Generally, they are very much involved in the issues of the twenty-first century that we care about -- drug problems, terrorism, environmental issues. So we have a large number of issues to deal with them, not to speak of the trade issues as well as the human rights issues.

Cuba and Fidel Castro -- not the Cuban people, because I think it's important to separate that -- but Fidel Castro has in fact over the years played an undermining role to many of the policies that we had wanted in Latin America. He is a dinosaur. I know that people have a romantic feeling about Fidel Castro and see him as a great revolutionary. He is not. He is someone who is repressing his people. We have had examples of that recently in terms of the dissidents that he has suppressed there. He is making Cuba the last of non-democratic regimes in the entire western hemisphere. And we believe that the best approach towards Cuba is to continue our embargo and at the same time to encourage our friends and allies throughout the world to work with us in terms of promoting democracy in Cuba so that the people of Cuba can enjoy the same rights that the rest of us have in the western hemisphere.

MODERATOR: Unfortunately, we have time for just this one last question. Yesterday, the State Department issued a report on religious persecution around the world. How are reports like this and the State Department's Annual Human Rights Report used in the formulation of U.S. foreign policy?

SECRETARY ALBRIGHT: Our foreign policy is reflective of our principles and our principles make very clear that we care about democracy, human rights -- and within that, religious rights -- and non-persecution. As these reports are prepared, each country is looked at in terms of its performance. Frankly, there are those who criticize us very much for this, saying that the U.S. has no right to grade other countries as we are not perfect ourselves. We admit that we are not perfect but we are the creators of our foreign policy. We believe that it is important for us to speak out on abuses of human rights, political rights and religious freedoms. Therefore, reports such as this help to educate our approach to each country and our bilateral relations with them. We find the reports very useful. We also find that other countries find them useful because we are the beacon in this area. I think it holds up a standard of what is appropriate for free societies.

I would like to thank you all for coming out in such large numbers. As I go to Malaysia

and deal with the ASEAN countries on the issues that I mentioned, it is very important to me to have had the opportunity to outline for you a little bit about what President Clinton's and my thinking is as we look at Asia -- obviously of great import to all of you.

I also welcome the questions. I guess my answers were a little long so we could not get a lot of them in, but the way that the panoply was described I can see that there is a very eager audience out here and if you will have me I will be happy to come back.

Thank you very much.

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Jeffrey Davidow
 Assistant Secretary for Inter-American Affairs
 Address before the Council of the Americas
 Washington, DC, April 28, 1997

As Delivered Text

U.S. Foreign Policy Toward Latin America and the Caribbean in the Clinton Administration's Second Term

I'd like to take this opportunity, my first chance to speak to you as Assistant Secretary, to lay out some of my broad concerns and hopes for the economic future of Latin America and the Caribbean, and the context within which we make day-to-day decisions.

Before doing that, however, let me take a step backward and remember this meeting last year. I had just come up from Venezuela -- in fact I was commuting at that time as Acting Assistant Secretary, and did attend the Council of the Americas meeting, the theme of which, as you will recall, was "Regaining the Momentum." I must say that I found the mood of the meeting generally fairly dismal. Not the people, or at least not all of the people. But there was a general feeling that the momentum, the great euphoria of the Miami Summit had slipped away. And quite frankly I cannot challenge that thought. Nor can I say that in the intervening year was much done, particularly during an election year in this country in terms of changing the perception.

But I would sustain to you, and I hope this becomes clear as others speakers make their presence here today and tomorrow -- the pendulum has shifted. We have as you have just seen, in a new Secretary of State Madeleine Albright, a person who comes to this building, comes to her job, with more direct knowledge and activity in Latin American and Caribbean Affairs prior to assuming the office than any other Secretary of State. The fact that the President has given a formal designation to Mack McLarty as Counselor to the President and Special Envoy for the Americas is a very major development for those of you who follow the intricacies of Washington bureaucracy. And having a person of Mack's stature and interest in the White House itself is a very important development.

It is not accidental that the first two state visits of (President) Clinton's second term were (Prime Minister) Chretien of Canada and (President) Frei of Chile. And it is not accidental that during the Frei visit the President went on record firmly committing to seek Fast Track negotiating authority. And it is not an accident that the President is committed to making three trips to the hemisphere within the next eleven months. All of this is important. It is particularly important in the ways of Washington. I really do believe that the train is now leaving the station. I do believe we have regained the momentum. I really do believe we all have got to get on board.

I do want to talk a bit about our perception of Latin American economic issues. I don't have to repeat to anyone in this room the obvious fact that to preserve our own freedom in the United States and our own values; to keep the U.S. economically strong and prosperous; to protect our citizens from such transnational threats as terrorism, drug trafficking and environmental degradation, we must be fully engaged in promoting democracy and prosperity in this hemisphere, and must maintain a close cooperative relationship with the region.

The commitment in Latin America to democracy and market economics gives us an unusually solid foundation on which to build our policies. The turn toward market decision-making, the restructuring of economic institutions, the return of growth, the control of inflation, the strong flow of foreign capital, and the forging of a common economic agenda for the whole hemisphere -- these are achievements undreamed of a decade ago.

But I would like to focus today not on past success but what I see as coming in the future.

The Challenge of High and Shared Growth

I mentioned growth as one of the accomplishments of the past five years. During the 1990's, Latin America's per capita growth averaged about 1% per year, an impressive turn-around from the 1980's, when per capita GDP declined about 1% per year.

But some have asked, is this enough? After all, Latin America's growth averaged about two points higher during the 1960's and 1970's, and the East Asian countries have a record of long-term growth about four points higher. Can Latin America achieve substantially higher growth? And can it achieve especially high growth which is broadly shared throughout society, so as to have a real impact on unemployment, poverty and public confidence in democratic and market institutions?

One answer is to say: "Change the model; market reforms can give us growth but not equitable growth." Another answer is: "Wait; be patient; this will all trickle down, it takes time." And finally, there is an answer that says: "Don't change; don't wait; do more. More macro-economic reform; more structural reform; more investment in human capital."

There are groups within the region that espouse each of these views. To those who want to return to populist and statist economic models, history offers some powerful rebuttals. The experience of a number of countries -- especially in East Asia -- shows that market-based economies can grow very rapidly while increasing equity. A change of model would cause more pain than gain. According to the Inter-American Development Bank (IDB), in the absence of the reforms of the 1990's, per capita income would be about 19% lower than it is now.

To those who counsel patience, I agree that we cannot expect overnight success. However, personally and politically, I am drawn to the third answer which favors strengthening reforms.

As we look around the hemisphere, we see very substantial liberalization in trade and in finance. Nevertheless, more needs to be done; more can be done.

For example, tariffs in Latin America today average about 13%; that's a whole lot better than the 45% average a decade ago, but 13% is still a lot and can still be a substantial barrier to trade.

In areas outside of trade and finance, the scope for additional reform is even greater. Here are a few examples: There have been many tax reforms in the region, but tax collection needs to become more effective for the reforms to have real impact. Although Latin America has led the world in privatization, the process has been concentrated in a few countries. There is also huge scope for institutional reform, for example in improving access by the poor to high-quality secondary education. The region's labor force has an average of 2 years less schooling than East Asia. Finally, labor regulations in many countries impose extremely high costs for hiring and dismissing workers, as

well as extremely high payroll taxes, and more importantly, they are NOT effective in protecting workers against the risks of unemployment, illness and old age as originally intended.

The Pay-Off From Intensifying Reform

A broadening and deepening of reforms in Latin America could pay real dividends. IDB economists have estimated that if the region remains at its current level of reform, growth will continue at roughly current rates. But if all the countries of the region intensify their macro-economic and structural reforms, this could raise growth by an additional two percentage points. And if, in addition, they were to pursue vigorous institutional and educational reforms, then growth over the next decade would likely approach that achieved by the fast-growing East Asian economies.

Such a growth path could double per capita income in about a generation, and the emphasis on investments in education would have a major impact on poverty and income inequality, as well as increase public confidence in democracy and the market model.

The U.S. Policy Response

How does U.S. policy respond to these challenges?

First, let me say that we look at the problems of growth and economic reform in a broad context; we see our objectives as integrated and mutually-reinforcing parts of a comprehensive strategy. Just as high and broadly-shared growth will reinforce democracy, so will democracy and the long-term stability it promotes help create the conditions for more investment and growth.

Secondly, I need to emphasize the strength of the region's commitments to the reform agenda -- commitments which are strong enough to withstand such stresses as the attempted coup in Paraguay exactly a year ago and the 1995 crisis in Mexico. The public response, the institutional response to these crises inspires confidence in the wisdom and courage of the region's leaders. Thus, the U.S. posture is that of recognition and support, as exists among friends, allies and equals.

This is most clearly demonstrated in the Summit process, which as you know began in Miami in December 1994, continued through the Sustainable Development Summit in Santa Cruz, Bolivia, and will move on to the Santiago Summit in early 1998.

In preparing for the Santiago Summit and throughout the next four years, we are intensifying and refining the agenda of the first Clinton Administration. We are working to strengthen democracy, the rule of law and respect for human rights. By helping to consolidate Guatemala's peace settlement, to strengthen Haiti's still fragile democratic institutions, to help find a lasting settlement between Ecuador and Peru, we are building the long-term stability which, as I noted before, is indispensable for sustainable and high growth. And, of course, we remain committed to the peaceful evolution of Cuba toward a system which respects basic individual and political rights.

Another key item on our agenda is addressing transnational problems. Those are problems which cannot be effectively handled within the narrow boundaries of one country or another. Cooperative action is necessary, and cooperative strategies are imperative to make a real impact against the illegal drug trade, trans-border crime, migrant smuggling, terrorism and environmental degradation.

And finally, one of the top items on the President's agenda for the next four years is to

move decisively toward concluding a Free Trade Area of the Americas by the year 2005. As you know, Trade Ministers will be meeting next month in Belo Horizonte to consider moving from the preparatory to the negotiating stage. This must be done. We must be ready, it seems to me, by the Santiago Summit, to launch these negotiations. The Administration has been consulting with interested parties on enhancing the benefits also of the Caribbean Basin Initiative as a step in preparing the region for the FTAA, and we intend to submit a bill to Congress soon. You will hear much more about our objectives and strategies for the FTAA later this morning from Counselor McLarty and Ambassador Barshefsky. For my part, let me re-affirm that we are working closely with Congress to make sure that we have the tools, notably Fast-Track authority, to meet our commitments and to protect our trade interests in Latin America.

In closing, I'd like to emphasize that I remain optimistic about fulfilling the ambitious goals which the hemisphere has established for itself. I strongly disagree with the notion -- which unfortunately is still out there, we run into it every day -- that growth, market-based policies and free trade are incompatible with democracy, responsive government, improving income distribution and poverty alleviation. We now know that these two sets of goals can be accomplished at the same time and indeed they are mutually reinforcing. The evidence of the past five years in the hemisphere demonstrates that decreased inflation, trade liberalization, and greater incentives for investment and productivity have succeeded in halting the drift toward greater poverty and inequality which occurred in the previous decade. Effective and responsive government helps build the trust which is indispensable to implementing far-reaching market reforms. Investment in human capital promotes both growth and social justice. And economic reforms stimulate the growth which demonstrates the validity of democratic institutions.

With your help and support, I look forward to a bright future for the Americas.

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Jeffrey Davidow, Assistant Secretary for Inter-American Affairs
Testimony before the Trade Subcommittee of the House
Ways and Means Committee
Washington, DC, July 22, 1997

The Free Trade of the Americas

Thank you, Mr. Chairman, for this opportunity to join my colleague, Ambassador Lang in testifying on this critical issue.

First, I want to emphasize that I agree whole-heartedly with Ambassador Lang's testimony that the Free Trade Area of the Americas is strongly in the U.S. interest, and will be good for U.S. workers, businesses and consumers. What I would like to add is that there are equally compelling arguments for the FTAA from the perspective of over-all U.S. foreign policy toward Latin America and the Caribbean.

Our policy toward Latin America is derived from three basic objectives established by the President and the Secretary of State for our overall foreign policy:

First, to keep the United States economically strong, internationally competitive and prosperous, and to preserve its position as the hub of an expanding global economy.

Secondly, to preserve and advance freedom by promoting the principles and values upon which this nation's democracy and identity are based.

Third, to establish a framework of cooperation that protects our citizens and our friends from the new transnational threats of environmental degradation, narcotics trafficking, migrant smuggling, terrorism, and international crime.

Construction of the FTAA serves each of these objectives. **First**, by promoting greater efficiency and economic growth in all the participating economies, the FTAA will strengthen our economy, providing new opportunities, and a better quality of life for U.S. workers, businesses and consumers, as demonstrated in the previous testimony. Further, the ability of the U.S. economy to create jobs, provide opportunities and project its strength globally is admired and envied throughout the world. That gives credibility to our nation as a model of democracy and market economics, and it gives our diplomacy a special strength.

Secondly, the FTAA will also strongly promote our values. The increased impulse to growth and investment in Latin America which will be provided by the FTAA will further consolidate market-based reforms underway in the region and strengthen democracy. Indeed, the commitment by the hemisphere's leaders to the principle of free trade has in itself been a catalyst accelerating reform and investment in the region.

The opening of markets and enhanced competition envisioned by the FTAA also serve as an impulse to social mobility--a key factor in long-term political stability. Closed economies allow the well-connected to grab and keep the best opportunities, and thus tend to perpetuate the positions of the privileged. But economies based on competition reward efficiency, innovation, and enterprise regardless of political or social connections. Indeed, the FTAA has come to symbolize Latin America's new open economic model; the FTAA's emphasis on growth, competition, efficiency, and innovation are exactly the qualities which the region's economic reforms are designed to encourage.

This brings me to a criticism often leveled at FTAA and trade liberalization in general, namely that freer trade may increase growth in the economy overall but only to benefit the rich. Recent research

shows exactly the opposite. For example, an IDB study of 13 countries which significantly opened their trade regimes during the period 1985-95 showed that trade liberalization was associated with an increase in the real incomes of the lower 60% of the population. The increase was largest for the poorest 20%, and the richest 20% of the population experienced a small drop in real income. These are important findings that need to be better understood not only by policymakers but also by the public whose support must be maintained or won for free trade policies.

Thirdly, the FTAA will contribute strongly to the new cooperative framework between the United States and Latin America. Economic vitality is indispensable to protecting the environment for future generations and waging an effective fight against illegal migration, the drug trade and other forms of transnational crime. Without broadly-shared growth, citizens' trust in their governments and institutions deteriorate, state legitimacy erodes, the rule of law weakens and social ills propagate. The growth and opportunities provided by the FTAA will put a strong new weapon in the hands of those Latin American leaders who want to work cooperatively with us in addressing these problems.

It is no wonder then that the movement to free trade has become one of the cardinal points of U.S. strategy toward Latin America. From the very beginning, when President Bush first proposed the concept of hemispheric free trade in June 1990, this idea captured the imagination of people throughout Latin America and the Caribbean. The specific initiative by President Clinton and the other 33 democratic leaders of the hemisphere to negotiate the FTAA by the year 2005 was the centerpiece of the Miami Summit of the Americas in December 1994. Even though the Miami Summit endorsed an Action Plan of 23 initiatives, the FTAA was clearly one of the boldest and most dramatic initiatives and has remained so ever since. Indeed, for many in Latin America and the Caribbean, the FTAA--with its offer of an economic partnership among countries with juridically equal rights and obligations--has become the cornerstone of the new relationship between the U.S. and Latin America.

As you know, there has been considerable progress toward achieving the FTAA goal through technical working groups and ongoing meetings of the hemisphere's vice-ministers and ministers of trade. We are now reaching a critical juncture in this process--moving from the preparatory phase to the actual negotiations. As noted in Ambassador Lang's testimony, the hemisphere's trade ministers at their meeting in May in Belo Horizonte recommended to their presidents and heads of government that the FTAA negotiations be launched at the Santiago Summit in April 1998. The Ministers will meet again in February in San Jose, Costa Rica to make recommendations for the Summit on the structure, pace and venue of the negotiations.

Our efforts toward the FTAA are complemented by the joint effort of the Administration and the Congress to enhance trade opportunities for countries which are beneficiaries of the Caribbean Basin Initiative. I want especially to express my appreciation to this Subcommittee on this point. We have major strategic and economic interests in the countries of Central America and the Caribbean, which are among our closest neighbors and with whom we share many historical and social ties. Providing these countries with improved access to the U.S. market will stimulate increased trade and growth in their economies, which in turn will provide new opportunities for U.S. exports and investment, and protect our other interests in the region.

Clearly then, there is forward momentum, both in our overall trade relationship with the rest of the hemisphere, and in reaching the FTAA goal. But the ability of the U.S. to shape the upcoming FTAA negotiations and influence the way trade will flow and economies will work in the future will depend on our ability to lead, and to negotiate with credibility.

As has been pointed out by trade negotiators, academic experts, politicians and business leaders, this means that U.S. negotiators must be backed by fast-track. One of the clearest arguments made on this issue comes from one of your distinguished predecessors, Mr. Chairman. When he testified before your Subcommittee in March, former Congressman Sam Gibbons (who as Chairman of this Subcommittee was an official advisor to numerous international trade negotiations) said that, without

fast-track:

"No foreign government will make a deal with us in a negotiation because they know from experience that Congress will ultimately re-write the agreement. No other country negotiates like the United States.... Their Parliaments only accept or reject, so they require us to do the same before they will sit down to serious negotiations with us."

For the United States to maintain our traditional leadership role in global economic policy, it will clearly require expeditious congressional approval of fast-track procedures. Without this, our negotiators in effect become glorified observers in the negotiating process, and we cede the initiative to other countries.

Let me emphasize also that there has been no lack of initiative among hemispheric countries. As Ambassador Lang pointed out, over the past few years, a network of free and partially free trade agreements has developed covering every country in the hemisphere. This network is now expanding beyond the hemisphere to include Europe and Asia. The rules and structures of these agreements are setting precedents which will have an increasing influence on the way trade and investment are conducted in this hemisphere, and on the internal policies and institutions of participating countries. In effect, this ship has already left port. If we want to maintain our influence in the hemisphere and protect the interest of U.S. workers, businesses and consumers, we must have the legislative authority to allow us to act with credibility.

Let me close by pointing out that political and economic leadership are inextricable in today's world. If we lose our ability to lead in the trade arena, we will increasingly lose our influence strategically, politically, and in other spheres of international relations. This is not just an issue of internal Congressional procedures, or of internal U.S. politics, this is nothing less than a question of our ability to protect our interests, our willingness to keep our commitments, and our ability to lead effectively around the world.

Particularly now, when democratic governments of the hemisphere have come to an unprecedented consensus, it would be tragic if we were to lose this historic opportunity to form a true and lasting partnership with our American neighbors.

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Thomas F. McLarty
Counselor to the President and Special Envoy
for the Americas
 Remarks before the Plenary Session of the
 Organization of American States
 Lima, Peru, June 2, 1997

Mr. President, Secretary General, Assistant Secretary General, Ambassadors, distinguished delegates, official observers, ladies and gentlemen: This is the third time in as many years I have met with representatives from across the hemisphere who have come together for the OAS General Assembly. As the expression goes, the third time's the charm. I am honored to head the U.S. delegation this year on behalf of the Secretary of State, and to give my country's remarks to this august plenary session.

We gather annually at these assemblies, and our Ambassadors and missions labor throughout the year in Washington because we know that only through collective action can we in this hemisphere successfully seize our shared opportunities and confront our common challenges. And we are proud that our Ambassador, Harriet Babbitt, has been a strong, clear, effective voice in this regard.

Last month, President Clinton made the first of three trips which he plans to the hemisphere in a span of less than 12 months. His visits to Mexico, Central America, and the Caribbean--our closest neighbors in the Americas--reaffirmed his deep, personal commitment to the hemisphere. At each stop, he delivered one overriding message: As a hemisphere, we must make cooperation work. It's a message far different from where we were even five years ago.

As the great physicist Marie Curie once said, "One seldom notices what has been done; one can only see what remains to be done." Sometimes, it's good to remind ourselves in this hemisphere just how far we indeed have come.

For too long, our nations did not fully share a consensus over basic issues such as the value of democracy and human rights, the efficacy of open markets and free trade, and the need to work together to address issues which know no borders and affect us all--illegal narcotics, criminal activity and corruption, people seeking a better life through migration, and control of environmental degradation.

As each of us knows, and as we have celebrated together since the Miami Summit of the Americas, the political and economic landscape in our shared hemisphere has changed dramatically. I don't need to recount for anyone the litany of successes: all nations but one are now functioning democracies; human rights and the rule of law are increasingly respected; inflation and debt levels are down and economies are being reformed; trade and investment are up.

And I firmly believe it's this new reality across the hemisphere, and the global economy which touches us all, that is driving the policy agenda among governments. The emergence of the global marketplace has not been legislated in Washington or Lima or anywhere else. Rather, it is being forged every day by businessmen and women responding to the daily reality of competition in a global village.

The Summit of the Americas in Miami set an architecture--a framework if you will--to drive us as a hemisphere into the 21st century. And undergirded by strong institutional support from the OAS, IDB, and others, it produced a truly remarkable, unprecedented action plan to serve as a roadmap to get us there. I'm hopeful about our collective future--we are achieving consensus on where we need to go--but getting there has proven more difficult than we had hoped.

For example, we need to make more progress in health and education across the hemisphere by

meeting our goals of eradicating measles and providing every child with access to quality elementary schooling. We need to provide greater opportunities for technical training and life-long learning to prepare workers to meet the needs of the global 21st century economy. We need to eradicate the dark, evil force of the illegal narcotics trade, a problem of both supply and demand hemisphere-wide. And, as a hemisphere, we need to implement the OAS convention against corruption as a first step toward rooting out this corrosive, debilitating practice.

We have made progress, but we need more. And we cannot forget those not yet touched by prosperity, or their understandable frustration and unrest will find expression in political systems inimical to our own.

It's been said many times a rising tide lifts all boats. Indeed, we are increasingly floating in the same boat, and we must all row together if we hope to claim the peaceful and prosperous future which I believe democracy must deliver to endure. And together, we have made a purposeful beginning. We can be proud of our actions to date, but as with any private sector enterprise, we cannot remain satisfied with a successful quarterly record or annual report. We must continue to forge ahead, with determination and resolve, to reward the confidence our voters--in essence, our shareholders--have bestowed on us.

The United States was deeply honored to host the Miami Summit and has been privileged to help lead the monitoring process, principally through the Summit Implementation Review Group (SIRG). And we have already seen the Government of Chile provide its prudent and thoughtful leadership of the SIRG in beginning the negotiations for the Santiago Summit.

The hemispheric institutions also have a specific role and responsibility in carrying out the hemispheric agenda. Each has its own special skills and perspectives that have enriched our collective efforts.

In the summit follow-up process, there are clearly two distinct and separate functions: 1) implementing the various commitments as governments and as responsible coordinators, and 2) monitoring such implementation. We believe the SIRG should continue to fill the monitoring function, serving as a mechanism independent of any one institution or country.

At the most recent meeting of the SIRG in Punta del Este, Chile presented a plan of work which would have the SIRG discuss the issue of the mechanism of the summit follow-up at its January meeting. We would welcome hearing at that meeting ideas for the participation of the OAS Secretariat in summit follow-up. Those ideas could then be presented to the heads of government in Santiago for their decision.

We are committed to this region, as I noted in my remarks yesterday when I discussed the President's recent travel to Latin America and the Caribbean. With three Presidential trips to the region in less than 12 months, plus the state visits of the President of Chile and the Prime Minister of Canada in the first four months of this year, I believe historians of U.S. foreign policy may very well call 1997 the "Year of the Americas."

The foundation for growth across the Americas, I believe, has been firmly put in place: peace, democracy, individual freedom, and increasing respect for human rights and the rule of law. But that's only a start. Together, we must continue to build our hemisphere, drawing ever closer together, matching dramatic political and macroeconomic change with microeconomic and institutional reform. Only then will we be able to build long, lasting peace and a partnership for prosperity. And at bottom, that is the purpose and the promise of the road from Miami to Santiago we are traveling today.

Finally, I would like to comment on a topic on which many of you have expressed concern; namely, our counternarcotics certification policy.

The problem of illegal narcotics is one we share in all its dimensions; the region can no longer be neatly divided into suppliers and consumers. Those on the front lines of this fight--policemen, prosecutors, and judges--continue to risk their lives in your countries and in mine. The threat is global and solutions can only be achieved through our collective efforts. That's why the United States has been a leading supporter of CICAD, the OAS drug commission.

As President Clinton noted in Mexico City, the United States has far to go in reducing our demand for illegal narcotics. With less than 5% of the world's population, we nonetheless account for about half the world's drug consumption. The primary objective of our national drug control strategy is therefore to reduce domestic demand, and the bulk of U.S. counternarcotics resources are devoted to this purpose.

Law-abiding U.S. citizens are rightly concerned about how and where their money is being spent. And, like any democracy, our government is obligated to its people to allocate public money in a thoughtful and appropriate manner.

Reflecting this sentiment, the United States Congress has over the years required that the President assure the American people that foreign recipients of public funds do not engage in activities contrary to U.S. interests.

Certification is therefore an understandable, sovereign reaction from elected officials who aim to ensure that U.S. taxpayer dollars go to countries which are fully cooperating in the fight against illegal narcotics. Admittedly, it is a blunt instrument, and there is now an active debate in the United States over whether the process can be improved. But we also hope that, through a deeper dialogue with our hemispheric neighbors, we will all be able to achieve better coordination--and success--of our collective efforts.

Mr. Chairman, there are 78 items on this year's General Assembly agenda, a testament to the richness of our relations, but also the complexity of the challenges we face. We should therefore strive to create, in the words of the Lima Commitment, a culture of peace and development in the Americas. I am hopeful that the message which emerges from this General Assembly will be one of nations working together to create an increasingly peaceful and prosperous hemispheric community.

I often quote the great industrialist Henry Ford, who once said, "Meeting together is a start, staying together is progress; working together is success."

We are committed to achieving that success in the spirit of a deepened partnership--a partnership based on mutual respect and mutual trust for this and future generations. Thank you, Mr. President.

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Secretary of State Madeleine K. Albright,
Assistant Secretary for International Narcotics and Law
Enforcement Affairs, Robert S. Gelbard
Press Briefing: International Narcotics Control Strategy Report,
1996, Washington, DC, February 28, 1997
As released by the Office of the Spokesman,
U.S. Department of State

MR. BURNS: Welcome to the State Department. Secretary Albright has a statement to make on this year's Narcotics Certification Report. Following that, she will not be taking questions. Following that, Ambassador Gelbard will also have a short statement. He will be glad to take your questions.

Madam Secretary.

SECRETARY ALBRIGHT: Good afternoon. Today, President Clinton sent to the Congress his decisions on narcotics certification for 32 major drug producing and transit countries. The State Department also sent to the Congress its annual International Narcotics Control Strategy Report which describes the efforts of more than 130 countries, including all those that have received U.S. assistance in the fight against drugs.

I wanted to come down here today to explain why this is such a top priority for the State Department and to go over with you some of the President's key decisions.

There are some people who say that drug abuse and drug trafficking are largely a problem for the United States. That is old thinking. Illegal narcotics and the violence they breed are as deadly to children on the streets of Sao Paulo and Bangkok as they are in New York or Los Angeles.

Wherever these drugs are produced, trafficked or sold, societies suffer. Citizens lose trust in institutions. They lose faith in the rule of law. Every nation has an obligation to deal with its share of this problem.

America's main share of the problem is demand. That is the primary cause of the damage done to our communities by drugs, and it is a major contributor to the crime and corruption that results from drug trafficking worldwide. That is why the Administration's drug control strategy, announced this past Tuesday, has demand reduction as its centerpiece.

Other nations are right to expect us to do our part. In turn, we are right to expect them to cooperate with us. For if the laws of supply and demand explain the trafficking of drugs across borders, they do not excuse it. And they do not excuse a failure on the part of any government to participate in the fight against this global plague.

Within our own hemisphere, we have built a nearly complete community of democracies. This community is a product of hard work and high ideals. As we recognized at the Miami Summit in 1994, drug trafficking is a deadly threat to our community and to the institutions of law and democracy that we have built.

No nation acting alone can defeat that threat. We must work together to eradicate crops, disrupt trafficking, break up cartels, and punish those who would enrich themselves by selling poison to our children.

The United States drug certification law has become part of our strategy of cooperation. It is not discretionary, for the Administration is legally obliged to apply it. It requires difficult "up or down" judgments to be rendered in a public manner that engenders, in some cases, deserved embarrassment; in others, unhelpful resentment.

It is vital, therefore, that we bear in mind the deadly, serious purpose behind this provision of U.S. law. That purpose is to strengthen the bonds of cooperation in the war against drugs. To the extent that purpose is achieved, the decent and law abiding people of every nation will benefit.

This year, the President provided full certification to 23 countries on our list. Six were denied certification. These are Afghanistan, Burma, Colombia, Iran, Nigeria, and Syria. Three countries - Belize, Lebanon, and Pakistan - were not certified but granted a vital national interest waiver.

Assistant Secretary Gelbard will brief you in greater detail about these decisions. I want to say a few words about Colombia and Mexico.

This year, like last year, the President's decision to deny certification to Colombia was a result of our concern that corruption remains rampant at the highest levels of the Colombian Government and that senior officials are failing to cooperate with us in the fight against drugs. In no way is it meant to undercut the valiant and effective efforts of those Colombians who are fighting on the front lines against the drug trade. President Clinton intends to work to the limit the impact of this decision on U.S. businesses and the Colombian police and military.

President Clinton has also decided to grant Mexico a full certification but with firm expectations of further progress in the near term. We expect Mexico to work with us to meet a series of objectives that have emerged from our cooperation in the past. These include all-out efforts to capture major drug traffickers, increased extradition of cop killers and leading traffickers to the United States, implementing laws against money laundering and attacking corruption.

The President has asked Attorney General Reno, Director McCaffrey, and me to monitor Mexico's cooperation continuously and to report our findings to him regularly.

Let me explain the basis for this decision. First, As President Zedillo has acknowledged, corruption is deeply rooted in Mexican counter-drug institutions. Six Mexican Attorney Generals and five drug czars have come and gone in the last five years without making major headway against drug barons and officials who operate above the law. This is a tremendous problem. We would be naïve to assume that any Mexican leader could defeat it quickly and without a massive investment of effort, resources and will.

At the same time, the Mexican Government's willingness to acknowledge and address the high level corruption that has undermined its drug control institutions is an act of political courage of the highest order. There has been no attempt at a cover-up. President Zedillo has responded to this crisis with integrity and candor. He is clearly striving to establish clean government, true democracy, and full respect for the rule of law in his country. His work is the best hope for a better future for Mexico, and he has earned our confidence and support.

Our certification process is not meant to measure the depth of Mexico's shortcomings, but the extent of its cooperation with us in overcoming them. The point, in other words, is not to keep score but to change the score in our favor.

The arrest of Mexico's drug czar for corruption is shocking confirmation of the problems that exist, but it is also a sign of precisely the kind of progress and cooperation that we are trying to encourage. We must also recognize that Mexico's drug seizures and arrests are up. New laws have been enacted to fight money laundering. Major air shipments of drugs, which once used Mexican landing strips with impunity, now appear to have stopped.

Mexico has set a precedent by extraditing its own nationals. It expelled Juan Garcia Abrego, one of the world's leading drug traffickers who recently received 11 life sentences.

Let us also remember that our relationship with Mexico is strong and among the most important we have with any country in the world. In the last few years, President Clinton has repeatedly stood by

Mexico at difficult moments. He won ratification of NAFTA and acted decisively during Mexico's economic crisis. These decisions were not entirely popular, but they were right and they have paid off for the American people. In the long term, they will pay off even more.

This is another difficult but correct decision. It is designed to improve the climate for future cooperation, which is the goal of our policy. I am confident that it will serve the interests of the American people, and the President and I will look to Mexico in the coming months to help us ensure it does.

And I now will turn the floor over to Assistant Secretary Gelbard.

ASSISTANT SECRETARY GELBARD: Because Secretary Albright has already given comprehensive remarks on Mexico, I'll focus my remarks on the other key decisions, and then I'll take your questions.

The decision to deny certification to six countries was not taken lightly. As the Secretary said, denial of certification for Colombia was aimed, again, at the senior levels of the Colombian Government and reflects the increasing drug threat posed by Colombia.

Cocaine and heroin continue to flow unabated from Colombia to the United States and, increasingly, to other parts of the world.

The denial of certification was taken in support of the law abiding citizens in Colombia so that long, festering corruption problems will be adequately addressed. The corruption was highlighted again this year by our actions to revoke President Samper's U.S. visa as well as that of many government officials and members of their Congress for aiding and abetting drug traffickers.

This decision is not intended to undercut the efforts of those working on the front lines against the drug trade. We will work with our Congress to find ways to overcome current restrictions on providing some forms of critical anti-drug aid to the Colombian National Police and Military prohibited after last year's decision to deny certification.

In the past year, elements of Colombia's private sector, particularly the Flower Grower's Association and the Private Banker's Association, took courageous stands against their governments' policies on illegal narcotics. Similarly, the new Justice and Foreign Ministers work diligently to press key goals. Nonetheless, President Samper took action on key certification objectives only at the final hour when it was clear that rhetoric alone would not suffice.

Meanwhile, Colombia's coca crop, part of an increasingly vertically-integrated trade inside that country, expanded by 32 percent so that Colombia has now vastly surpassed Bolivia as the second largest producer of coca and remains far and away the largest producer of cocaine.

Seizures of drugs dropped according to Colombia's own government statistics that they conveniently published in U.S. newspaper ads. More heroin was available than ever before. Virtually all of that heroin is destined for the United States.

Colombian Government inaction allowed the Rodriguez Orejuela brothers, and other major Cali cartel leaders, to operate their businesses from jail; even to influence a congressional vote in an attempt to overturn efforts on asset seizure legislation, despite repeated U.S. warnings.

The Samper Government did not achieve passage of effective sentencing legislation for drug traffickers until just two weeks ago, and as a result the Rodriguez Orejuela brothers will face relatively short sentences in prison. In stark contrast, last month a U.S. Federal Judge sentenced Mexican drug lord Juan Garcia Abrego, a long-time associate of the Rodriguez Orejuelas, expelled to the United States by the Mexican Government, to 11 life terms on charges of trafficking some 15 tons of cocaine and of money laundering. He was also forced to forfeit \$350 million in illegal

proceeds and was fined \$128 million.

The Colombian Government did agree to a Maritime Interdiction Agreement and at the last possible moment achieved passage of strengthened asset forfeiture, money laundering and sentencing laws. None of these has yet been implemented, however, and no serious action to reinstate extradition was taken by the Samper Government. Perhaps worst of all, as Colombian police and prosecutors were pressing ahead with investigations and prosecutions of the Cali cartel mafia, President Samper and Interior Minister Cerpa were undercutting them, attempting to negotiate a deal with those same criminals.

In 1996, the Colombian Government's efforts did not meet the standards set forth in the U.N. Drug Convention of 1988, the basic requirement for certification, thus forcing President Clinton to decertify Colombia. But this need not be a permanent condition. Adequate progress by Colombia may justify a recertification during 1997, as permitted by law, on the basis of our vital national interests.

Colombia's efforts over the coming months, particularly in the following areas, will be looked at. Reinstating extradition of its nationals and acts on impending extradition requests; implementing newly passed legislation and the Maritime Agreement; agreeing to use a more effective yet safe herbicide to spray drug crops; effective action on prosecution of those accused of corruption and tightening prison security to prohibit prisoners from running their illegal enterprises.

These steps, all of which seem reasonable, could be accomplished in the next several months. By taking them, the Colombian Government can show the global community that it's committed to ending this year of narco dominance.

The President continued to stress the seriousness of the heroin threat by denying certification to Burma, Afghanistan, Iran and Syria. Significant inroads into the world's heroin problem are impossible without Burma and Afghanistan, which together produce about 75 percent of the world's supply of opium.

Burma is the world's largest producer of opium poppy by far, particularly since 1988 when the SLORC took over the country, and is responsible for the vast majority of heroin on the streets of the United States. In Burma, opium cultivation and heroin trafficking go on without any meaningful constraint by the authorities. Ethnic drug-trafficking armies have negotiated with the SLORC for limited autonomy to run their heroin operations in return for a cessation of hostilities.

Far from punishing the infamous drug lord Khun Sa, the SLORC has allowed him to gain acceptance by Rangoon's society, with impunity from prosecution or extradition. Credible reports suggest he is continuing to run his lucrative drug operations from Rangoon. What is more, drug traffickers have become the leading investors in Burma's new market economy and leading lights in Burma's new political order. Drug money is so pervasive in the Burmese economy that it taints legitimate investment. Since 1988, some 15 percent of foreign investment in Burma and over half of that in Singapore has been tied to the family of narco-trafficker, Lo Hsing Han.

In Afghanistan, the Taliban, which controls 90 percent of the land where opium is cultivated, made no serious effort to discourage or reduce opium cultivation or disrupt heroin trafficking. We are deeply concerned that the Taliban itself may be involved in opium cultivation and drug trafficking.

Iran and Syria were denied certification for failing to make any meaningful or effective efforts to stop heroin transshipment associated with both countries.

Nigerian trafficking groups remain the world's largest couriers of Asian heroin and are now making inroads into the traffic of South American cocaine. In the United States, Nigerian groups are responsible for bringing in much of the heroin on our streets. In addition, Nigerian groups have established elaborate money laundering operations and international fraud scams. The Nigerian

Government failed to address critical issues, hindering progress in these areas. It also failed to meet the standards of the 1988 U.N. Vienna Convention.

The President is reserving the option to invoke trade and other discretionary sanctions in addition to those mandated by the Foreign Assistance Act against the six countries denied certification. For the first time, the President gave Belize a vital national interest certification. Belize was restored to the major's list just last year because of an increase in Colombian and Mexican drug trafficking activity through their country. Belize's geographic position and ineffective law enforcement and corruption allowed U.S.-bound drugs easy access via Belize.

This year, largely due to high-level corruption in their government, Belize did little to stop the drugs moving through its country. Drug related arrests, drug seizures and the eradication of marijuana all dropped sharply in 1996, while the government made no progress in completing extradition and multilateral legal assistance treaties. Its counter-narcotics performance clearly fell short of the standards.

The Paraguayan Government, which had received vital national interest certifications in 1994 and 1995, demonstrated serious and high-level commitment to anti-drug efforts and improved cooperation with the United States in 1996. The government named a new, honest anti-drug chief who replaced corrupt officials at all levels of Paraguay's anti-drug forces. The government developed a national drug strategy, passed a broad law criminalizing money laundering and introduced a much strengthened anti-drug statute.

The government increased direct information sharing and law enforcement cooperation with the United States and initiated bilateral and multilateral cooperation agreements with Argentina, Brazil and Bolivia. Cocaine and marijuana seizures increased this year, and Paraguay assisted in the arrest of a major Brazilian cocaine trafficker. Paraguay's efforts earned it full certification.

The Clinton Administration continued to take strong action against drug production and trafficking and other forms of international crime. We attacked transnational drug syndicates at their most vulnerable points. We interrupted preferred transit routes to the United States, forcing them to use more difficult and expensive approaches through the eastern Caribbean and eastern Pacific.

In the Andes, we helped the governments disrupt the so-called "air bridge" that carried the bulk of Peruvian coca to Colombia. This depressed Peruvian farm coca prices, causing many coca farmers to abandon their fields. Consequently, and in addition to the support we provided for alternative development, Peru's coca cultivation decreased 18 percent to the lowest level in over a decade.

In Bolivia, the government also reduced its potential cocaine production by 10 percent. Total Andean coca cultivation fell by two percent, since the gains made in Peru and Bolivia were compensated for by the dramatic increase in Colombia.

On other fronts, the United States targeted additional individuals and front companies used by the Cali drug syndicate and through the International Emergency Economic Powers Act, cut off their access to the U.S. marketplace. These actions have had a devastating impact on some of the Cali mafia's businesses.

Our government cannot protect its citizens from illegal trafficking, sale and abuse of drugs without the united effort of governments in the source and transit countries. In the 1988 Vienna Convention, the global community has clearly defined the standards it expects of all governments. Our law on certification and President Clinton's decisions on implementing it are further evidence of how seriously we take these standards.

I'll be happy to take your questions.

QUESTION: Mr. Secretary, was there any moment where certification of Mexico was in doubt - a

moment where you said, "This is not going to go through"? And, if so, what happened to change your decision? How intense do you anticipate a battle with Congress in order to uphold this decision?

ASSISTANT SECRETARY GELBARD: Obviously, we never discuss internal decision-making processes. Suffice it to say, it was a clear decision. It was a unanimous decision in terms of recommendations made to the President by the relevant Cabinet members.

QUESTION: In Congress - what - are you prepared to defend this in Congress?

ASSISTANT SECRETARY GELBARD: Obviously, we're prepared to defend it. We feel this was the right decision. It was the decision that we recommended to the President, and we feel very comfortable with it.

QUESTION: Was your decision influenced by the fact that there were so many competing interests with Mexico, such as trade and immigration and a dozen other competing interests?

ASSISTANT SECRETARY GELBARD: No. The decision was made on the basis of the assessment recommended to the President by the Secretary of State, taking into account the views of other relevant members of the Cabinet, as in previous years. The statute is very clear in terms of the scope provided for the decision, and on that basis it was made on counter-narcotics criteria and the discussions we have had with the Mexican Government over the last year and our view, our assessment of their action.

QUESTION: There was pressure from Congress, including half of the Senate, for a national interests waiver as a sort of probation to put Mexico on. Why was that an undesirable step to take as a warning to Mexico?

ASSISTANT SECRETARY GELBARD: The President felt very clearly, as did the Secretary of State, as did I, in recommending this to the Secretary, that the test of the law is whether a government is cooperating with us fully; whether they are in compliance with the 1988 Vienna Convention. We felt that was a clear-cut decision here. We feel there has been significant progress in Mexico over the last year. This includes an unprecedented decision to extradite Mexican nationals to the United States and a continuing commitment on the part of the Mexican Government to do so on the basis of their law.

The decision and actions to expel important drug traffickers to the United States which include, as I mentioned, Juan Garcia Abrego, and I mentioned the extremely serious sentence he received. A Bolivian drug trafficker named Pereira Salas, who is about to go on trial in Miami, who was a key lieutenant to Amado Carillo Fuentes and others. Also, significant increases in seizures of heroin, increases in seizures of cocaine, significant increases in arrests of people wanted for drug trafficking, both Mexican citizens and foreigners; continued excellent progress in eradication of opium poppy and marijuana; significant progress in seizures of methamphetamines; actions on precursors and others.

QUESTION: Mr. Gelbard, last year you decertified Colombia but you imposed no actual economic sanctions. There's a lot of fear in Colombia with the flower growers and other industries. Will the same thing apply this year, or will economic sanctions be applied?

ASSISTANT SECRETARY GELBARD: First, as I mentioned, according to the various laws that exist, the President still retains the right to impose such optional sanctions at any time.

Second, however, as I also said, we feel that the private sector in Colombia has played - or at least certain parts of the private sector has played a very important role in urging the government - both the executive branch of the Colombian Government, the Congress and others - to take strong steps against narcotics. I particularly mentioned, in fact, the flower growers association who have played a

very important role, led by Maria Isabel Patiño who is the head of their association; the private bankers' association, which came to us early on and asked for training against money laundering and I think also played a very important role, along with other groups in urging their Congress to undertake asset forfeiture legislation and stronger sentencing laws. So we strongly want to recognize that and take all that into account.

QUESTION: Mr. Gelbard, is the United States concerned at all to lose Colombia as an ally in the war against drugs? The Foreign Minister of Colombia said yesterday that if decertified again, Colombia would have to reconsider its diplomatic relations with the United States.

ASSISTANT SECRETARY GELBARD: That's obviously a Colombian decision to undertake. I would strongly urge the Colombian Government to think very seriously about decreasing its cooperation with the United States on counter-narcotics. I think that would be a serious error on its part.

QUESTION: A couple of issues on Mexico again. Mr. Constantine has stated just this week that there is no police agency in Mexico that is trustworthy for the U.S. to work with - fully trustworthy to work with. I would ask, do you agree with that? Do you agree with - as the heads of the cartels in Mexico remain at large and continue to place their dollars in a corrupting way, bribing their way into Mexican society, is the security of Mexico continually at risk by these people being at large? Then I would finally -

ASSISTANT SECRETARY GELBARD: I'm going to forget the last part.

QUESTION: Okay.

ASSISTANT SECRETARY GELBARD: We are seriously concerned about pervasive and even endemic corruption inside Mexican law enforcement institutions. I said that in my testimony in the House of Representatives on Wednesday, as did others. So is the Mexican Government. We feel that President Zedillo is deeply concerned about this, and that's why he took the very quick action when he was shocked, as were we, to discover that his newly appointed head of the counter-narcotics agency, General Gutierrez Rebollo, was, he believed, corrupt.

We have been in intense discussions with the Mexican Government about this and other issues in recent days, and we feel that the Mexican Government is committed to taking serious action to try to assure that there will be serious examination of law enforcement officials to assure that they are indeed not corrupt in their jobs.

QUESTION: Mr. Gelbard, you talked or the Secretary talked of hope and pledges by President Zedillo and the Secretary said the purpose of this legislation is not to count the score but to try to change the score. I don't see anything in the legislation about hope, and I don't see anything about trying to change the score. I see criteria that the country has, (a) met the goals and objectives of the U.N. Convention, (b) accomplished the goals described in a bilateral narcotics agreement with the U.S., and (c) taken legal and law enforcement measures to prevent and punish public corruption. Are you seriously telling us that Mexico has done any of those things?

ASSISTANT SECRETARY GELBARD: As a matter of fact, I've read the law a few times. I don't want to repeat what I just said to that gentleman, but I cited, I think, some very explicit examples of how Mexico made progress in 1996.

QUESTION: Has Mexico extradited -

ASSISTANT SECRETARY GELBARD: Can I finish?

QUESTION: I'm sorry. I have a follow-up.

ASSISTANT SECRETARY GELBARD: Mexico has clearly extradited people for the first time in their history, dramatically expanded their cooperation with us - not just in law enforcement but on military-to-military cooperation, including, by the way, the first ever visit by a U.S. Secretary of Defense to Mexico, which resulted in dramatic military-to-military cooperation against narcotics, and all the objective indicators in terms of cooperation have gone up.

I failed to mention that they also approved a money laundering law for the first time and in cooperation with some of our assistants have now moved to begin to implement that law in a serious way and also approved an organized crime law which modernizes dramatically the instruments the law enforcement agencies have in order to capture drug traffickers. But the objective indicators are very clear. Your follow-up.

QUESTION: You mentioned extradition several times. How many significant drug traffickers who are Mexican nationals, as opposed to other country nationals, have they in fact extradited to the U.S. in the last year?

ASSISTANT SECRETARY GELBARD: They have expelled people such as Juan Garcia Abrego who was one of the most important drug traffickers in the world.

QUESTION: But he's not a Mexican national.

ASSISTANT SECRETARY GELBARD: He is a Mexican national. He's a Mexican national, and that's the important point. I think it was a very courageous act by the Mexican Government. They were criticized in Mexico, and we considered this man to be one of the most important traffickers worldwide.

QUESTION: Mr. Secretary, many Americans, when they saw the news that the head of the anti-narcotics agency in Mexico had been arrested on charges of narco-corruption, thought that was evidence that the situation was not good in Mexico; that it was bad; that it was getting worse. Do you see it in some other way?

ASSISTANT SECRETARY GELBARD: Well, obviously, we do because we certify them.

QUESTION: What is that evidence of?

ASSISTANT SECRETARY GELBARD: Obviously, we're deeply concerned and deeply disturbed by the discovery that General Gutierrez Rebollo was alleged by his own government to be corrupt. The fact that the Mexican Government took prompt - took swift action against him and against others whom they believe to be corrupt in that same organization, some 36 others, gives us confidence, though, that they are prepared to take action against corruption. In fact, they did it on their own. This was not something that was helped by the United States.

What is important are the net results. We feel that the net results, looking today compared to a year ago today, very clearly show a much stronger Mexican cooperation with the United States. We have had this high-level Contact Group which has met a number of times over the course of the last year and has enabled us, under the leadership of General McCaffrey, to develop - working with the Mexican Government - much closer and more fluid mechanisms for cooperation.

As I said earlier, we have much higher seizures, much higher eradication, and overall the results show that Mexico is moving in the right direction.

It is important to underline that we recognize, and the Mexican Government recognizes, that they still must do a great deal more over the medium and long term to develop the institutional capabilities needed to go after drug trafficking in a sustained way.

They need to be able to develop measures for background checks, financial disclosure checks, and

other means so that they do not have corrupt officials in their organizations. But we too have had corrupt officials in our organizations although at a lower level. What's important is that Mexico and we are working together now, and have been in a much better way over the course of the last year or two, to try to develop the mechanisms to assure that there are these institutional capabilities for Mexico to be able to take even stronger measures on their own.

QUESTION: Mexico agreed as a part of a compromise with the United States, in the certification process, to extradite major Mexican national kingpins as Amado Carrillo or the Arellano Felix brothers? Did they guarantee you that they will accept to extradite them eventually?

ASSISTANT SECRETARY GELBARD: I don't want to go into individuals but we feel that there have been significant commitments on the part of the Mexican Government regarding extradition of drug traffickers and other types of criminals in accordance with Mexican law.

QUESTION: By decertifying Colombia again, you would suggest that you're not satisfied with the performance from last year. If you decertify them again without added punishment or sanctions, how do you expect that this is going to cause any change this year? Why do you think it's going to be effective this time?

ASSISTANT SECRETARY GELBARD: Obviously, we wish - the President wished - that he did not have to decertify them. But on the basis of the lack of Colombian action, he felt that he had no other choice.

What's clear, for example, is that during the course of 1996, the United States Government repeatedly went to the Colombian Government and complained that the Rodriguez Orejuelas and others were continuing to run their business from jail. We were ridiculed by the Colombian Government publicly. Only in late December did the Colombian Government publicly recognize that we were right.

We offered assistance from our Bureau of Prisons to correct that. It was ignored. We offered help to provide more effective herbicides to eradicate coca. We were stymied and still are. Meanwhile, coca production is up 32 percent. What does that tell us?

What is really important, we think, is that over the course of 1996, the private sector has become mobilized and we congratulate them. We think it's important for the future of Colombia and Colombian citizens themselves that they're taking this action, and other people, too. I mentioned the Foreign Minister, the Justice Minister, Prosecutor General Valdivieso, Police Chief Serrano, and others.

We think progress is being made, but Colombia has also started from a very, very low level.

QUESTION: Mr. Gelbard, you mentioned significant commitments on the part of the Mexican Government on extradition. Do you mean in the past several days, during the discussions that you've been having with them? Or is it prior to this period?

ASSISTANT SECRETARY GELBARD: I'd rather not talk about that. We feel satisfied that if and when people will be arrested and that these events will occur.

QUESTION: Mr. Gelbard, you talk about cooperation. But the fact that this General was put in such a high place, isn't that a failure of intelligence on the part of the Mexico and on the part of the United States?

ASSISTANT SECRETARY GELBARD: Yes.

QUESTION: What are you going to do about it?

ASSISTANT SECRETARY GELBARD: We are doing an assessment ourselves to see what kind of damage has been done by this. Fortunately, he was not on his job very long. I know the Mexican Government is undertaking the same. They are also undertaking measures, obviously, which I referred to before, to try to assure that appropriate measures will be taken institutionally to assure that people who are in key counternarcotics positions at all levels are honest.

QUESTION: Is it the feeling that this is the tip of the iceberg?

QUESTION: Mr. Secretary, why is there no mention in the report of General Gutierrez' arrest? More importantly, can you explain to the American people what kind of an ally Mexico is in the drug war?

ASSISTANT SECRETARY GELBARD: Which report do you mean?

QUESTION: I'm sorry, this one here.

ASSISTANT SECRETARY GELBARD: Because it was printed before that happened. It may be mentioned. I think it actually may be. What was your second question? I'm sorry.

QUESTION: What kind of an ally is Mexico in the drug war?

ASSISTANT SECRETARY GELBARD: We feel that Mexico and the United States are cooperating extremely well. We obviously look forward to achieving even better results in 1997. We feel we're off to a good start in ways that I don't want to talk about publicly because of the nature of law enforcement efforts.

We feel that it is critical that the United States and Mexico continue to work in the closest possible way to achieve the best possible results.

QUESTION: Mr. Gelbard, have the Mexicans undertaken to offer the United States help with things like maritime agreements similar to what has been signed with Colombia? Or to build the radar sites in southern Mexico that they have failed to do after discussing it?

ASSISTANT SECRETARY GELBARD: We would hope that Mexico would, indeed, go ahead and complete its radar network. We have urged them to do so. We are currently talking to them about precisely these issues.

On maritime cooperation, I would just cite that just a few weeks ago there was a joint U.S.-Mexican effort which resulted in a 3.2 ton seizure of cocaine. There, too, we would like to have continued closer cooperation, and that is an item on our agenda.

QUESTION: Mr. Gelbard, yesterday, Mexican law enforcement officials arrested Oscar Malherbe who had been described by the DEA as the replacement for Juan Garcia Abrego as the leader of the Matamoros cartel. I wonder if you have any comment on that arrest? My understanding is that that man is under indictment since June 1995 by a Miami grand jury and is part of the list of people that you want extradited. Have you started that process to get him here? And what are the hopes of getting him here.

ASSISTANT SECRETARY GELBARD: We congratulate the Mexican Government on the arrest of Oscar Malherbe. I believe that we have already requested his provisional arrest pending extradition.

QUESTION: So you have requested his extradition?

ASSISTANT SECRETARY GELBARD: Yes.

MR. BURNS: Thank you very much.

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FACT SHEET: HUMAN RIGHTS IN SOUTH AMERICA

The winds of peaceful democratic change have transformed the political and social landscape throughout South America. As multi-party elections have enabled democratically-elected governments to replace dictatorships, regional governments have made substantial improvements in their ability to protect and promote the human rights and fundamental freedoms of their citizens. Despite efforts to counter long-entrenched traditions of impunity, corruption and other official misconduct in their justice systems, these problems remain pervasive. The U.S. has repeatedly emphasized the importance of vigorous investigation and prosecution of those responsible for human rights abuses, in conjunction with improved human rights training for security force personnel.

The necessity to improve substantially all facets of the administration of justice is a reality throughout the region. Prisons are intolerably overcrowded, make no provision for the separation of different sexes and ages, lack basic sanitation, food service and health care facilities, and employ poorly paid and trained guards. Perpetrators of domestic violence are rarely arrested, prosecuted, convicted or incarcerated. The human rights of indigenous peoples are routinely violated in order to serve commercial interests, despite a growing framework of legal protections.

The substantial work that remains to be done, especially on issues pertaining to women and children, does not negate the significant progress that regional governments have made in the areas of democracy and human rights. Brazil is a co-coordinator of a process implementing the democracy and human rights plank for the April 1998 Summit of the Americas' declaration of principles. In addition, Brazil has introduced an action plan to combat human rights abuses which includes an interministerial group to address the serious problems of racism and other discrimination. Venezuela's prosecutor general (who serves as the public ombudsperson) and intergovernmental human rights commission work together to assist the executive branch with improving its compliance with international human rights norms. Argentina's human rights ombudsperson has been instrumental in coordinating human rights policy, in particular the executive response to terrorist incidents such as the 1992 bombing of the Israeli embassy and the 1994 bombing of the AMIA Jewish cultural center.

We provide grants to foundations and NGOs which support the development of civil society through USAID. These grants provide critical funding for organizations such as the Inter-American Institute of Human Rights (its executive director is Argentinean). We look forward to assisting regional governments with consolidating their unprecedented gains, and continuing to increase their compliance with international human rights norms.

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FACT SHEET: NARCOTICS TRAFFICKING AND INTERNATIONAL CRIME IN
BRAZIL, ARGENTINA AND VENEZUELA

Venezuela, Brazil and Argentina are important transit countries for drug traffickers shipping cocaine and heroin to markets in Europe, Asia, Africa and the United States. However, none of the countries is currently a significant producer of drugs: Venezuelan traffickers cultivate small amounts of poppy, used in heroin production, in the area bordering Colombia; and insignificant amounts of coca leaf, the source of cocaine, are cultivated in Brazil.

The laundering of illicit proceeds by financial institutions in the three countries is a continuing concern for the United States. In support of the Miami Summit, the Government of Argentina hosted in December 1995 the Buenos Aires Money Laundering Ministerial. Chaired by U.S. Treasury Secretary Rubin, the ministerial produced a communiqué in which governments committed, among other things, to criminalize money laundering. The conference had significant effects on several countries in the region. In 1996, all three countries introduced legislation to criminalize the act of money laundering.

Vehicle theft and illicit arms trafficking rank high among other forms of international crime that are a source of concern to the USG. Automobiles, aircraft and boats stolen from US citizens and taken abroad by criminals cost US private insurance companies millions every year. The USG is working closely with insurance industry representatives to negotiate bilateral agreements with several countries, including Venezuela, for the recovery and return of these stolen items.

We are working with the governments of these countries to: dismantle drug trafficking organizations, curtail illicit drug production, strengthen investigative and judicial institutions, advance legislation against money laundering, chemical and alien smuggling, and promote a coordinated, common antidrug and anticrime policy.

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FACT SHEET: MERCOSUR

The Southern Common Market -- Mercosur in Spanish, Mercosul in Portuguese -- is a trading bloc comprised of Argentina, Brazil, Uruguay and Paraguay. Created in 1991, it 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 creation of a common market, with no restrictions on the movement of labor and capital, remains a long-term objective.

Mercosur and overall regional liberalization have been unqualified successes in generating increased trade and investment flows. Intra-regional trade has skyrocketed from \$4 billion in 1990 to more than \$15 billion in 1996. The United States has greatly benefited from this trend. U.S. exports to Mercosur have more than doubled since 1991, and the U.S.-Mercosur trade balance has improved from a \$3.1 billion deficit in 1991 to a \$6.7 billion surplus in 1996. U.S.-Mercosur trade exceeds intra-Mercosur trade, but the EU remains Mercosur's largest trading partner.

Mercosur has sought to expand its influence. It signed a framework agreement with the EU in 1995, added Bolivia and Chile as associate members in 1996 (with no institutional role to date), and is now discussing free-trade agreements with Canada, Mexico and Andean Community members. Mercosur countries negotiate as a bloc on FTAA issues. In contrast to the consensus agreed to by other nations of the hemisphere, Mercosur, influenced by Brazil, has to date taken a go-slow position on the pace of negotiations.

The development of Mercosur reflects a growing regional pride, driven by the recent shift in the Argentina-Brazil relationship from rivalry to partnership. Mercosur's proactive efforts to help foil a 1996 attempted military coup in Paraguay highlight an emerging political role. Increasing trade ties have facilitated a more cooperative approach to regional security concerns. Although Brazil's penchant for unilateral actions tests the agreement at times, cooperation within the customs union generally has exceeded initial expectations.

The United States supports measures intended to strengthen and expand Mercosur that are trade-liberalizing and WTO-consistent. Some media reports, especially in Brazil, have inaccurately portrayed the U.S. as trying to drive wedges between Southern Cone nations in order to destroy Mercosur.

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FACT SHEET: SUMMIT OF THE AMERICAS II

The Hemisphere's democratically elected leaders will meet April 18-19, 1998 in Santiago Chile to celebrate our mutual commitment to bettering the lives of all people of the Americas through democracy and economies led by market forces. The meeting will continue the hemispheric agenda agreed to at the Miami Summit, which President Clinton hosted in December 1994.

Education is expected to be a central theme of the Santiago Summit, along with the themes of democracy and human rights, economic integration and free trade, and poverty and discrimination. Furthermore, leaders are expected to launch negotiations on the Free Trade Area of the Americas (FTAA), the creation of which by 2005 was a goal established at the Miami Summit. Actions on the environment will be woven throughout the action plan; OAS Secretary General Gaviria will also present a report on progress in implementing the 1996 Bolivia Summit of the Americas on Sustainable Development.

Officials negotiating the Santiago commitments have agreed that new actions would be concise, achievable within three years, and worthy of presidential attention.

In Santiago, leaders will review progress made in the 23 initiatives of the Miami Summit. Since Miami, we have pursued common strategies against narco-trafficking and money laundering, adopted the world's first ever anti-corruption convention, and prepared the technical groundwork for the FTAA. Governments have collectively launched new efforts in mutual security, capital markets, and microenterprise. New funding from the IDB supports education and increased access to health care for the neediest. We have ambitious initiatives on sustainable energy use and other environmental areas.

Summit preparation and follow-up has been institutionalized in the Summit Implementation Review Group (SIRG), which is co-chaired by Chile and the US. Special ministerial meetings will develop commitments in the areas of trade and capital markets.

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FACT SHEET: FREE TRADE AREA OF THE AMERICAS (FTAA)

Efforts are well underway to create a Free Trade Area of the Americas (FTAA) by 2005, as agreed by the hemisphere's leaders at the Miami Summit of the Americas. Formal FTAA negotiations will be launched at the Santiago Summit in April 1998.

In the preparatory phase of the FTAA process, Trade Ministers have convened three meetings in Denver, Cartagena, Colombia and Belo Horizonte, Brazil to lay the groundwork for negotiations. As a consequence of these meetings, twelve FTAA working groups were created. These working groups are compiling and analyzing technical data on trade-related hemispheric issues. A fourth meeting of Trade Ministers will be held in San Jose, Costa Rica in March, 1998, one month before the Santiago Summit. This meeting will produce a declaration describing how and what the FTAA process will negotiate.

There is general agreement among hemispheric participants that, consistent with WTO agreements, the FTAA will be crafted as a balanced and comprehensive agreement to achieve free trade through the elimination of tariff and non-tariff barriers in goods and services, as well as through the creation of high level disciplines in agriculture; subsidies; investment; intellectual property rights; government procurement; product standards; rules of origin; anti-dumping and countervailing duties; sanitary and phytosanitary measures; dispute settlement; and competition policy. Countries in the hemisphere may negotiate the FTAA individually or as members of a sub-regional integration group. Finally, the FTAA will be negotiated as a single undertaking -- in which all countries will assume all obligations of the FTAA -- and, as agreed in Miami, there will be "concrete progress" in the negotiations by the turn of the century.

U.S. exports to Latin America and the Caribbean grew more than 200% between 1990 and 1996 and the region is expected to grow by 4 -5% annually for the next several years, nearly twice the rate projected for OECD economies. But barriers remain high; it is conservatively estimated that, when non-tariff barriers are included, U.S. exports to the region face average effective tariffs of over 18%. An FTAA will establish and institutionalize fair rules of the game so that U.S. exporters and investors can compete fairly on the basis of price, quality and service.

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REGIONAL ISSUES: SANTIAGO SUMMIT OF THE AMERICAS

The Hemisphere's democratically elected leaders will meet April 18-19, 1998 in Santiago Chile to celebrate our mutual commitment to bettering the lives of all people of the Americas through democracy and economies led by market forces. Because of the 1994 Miami Summit of the Americas, we have in place common strategies against narco-trafficking and money laundering, the world's first ever anti-corruption convention, measures to forestall currency freefall, and the technical groundwork for FTAA by 2005, which will be launched at Santiago. New funding from the IDB supports education and increased access to health care for the neediest. We have ambitious initiatives for energy cooperation, environmental issues, and sustainable development as a result of the December 1996 Santa Cruz Summit.

The Summit Implementation Review Group (SIRG), a policy-level body at the vice minister level, was chosen by governments to push and coordinate the implementation of the Miami Plan of Action and to be the primary negotiating forum for the Santiago Summit of the Americas. In the SIRG, we are developing action items in education, democracy and human rights, economic integration and trade liberalization, and alleviating poverty -- themes chosen by governments for the Santiago Plan of Action. Brazil plays a lead role in the democracy and human rights initiative, Argentina on anti-money laundering and anti-terrorism, and Venezuela (with the U.S.) on energy cooperation.

With the Miami and Santiago Plans of Action, we have hemisphere-wide plans for cooperatively addressing the most pressing needs of the Americas.

TALKING POINTS

- Education, strengthening democracy and human rights, enhancing economic integration and trade liberalization, and alleviating poverty are the Santiago Summit's initiatives, endorsed by the Foreign Ministers of the Hemisphere's 34 democracies June 1 in Lima.
- The U.S. and the Hemisphere's other 33 democracies are developing concrete, achievable action items for these four initiatives.
- The Plan of Action from Miami has many action items open, including FTAA by 2005; we must continue to push for full implementation of commitments made in Miami.

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REGIONAL ISSUES: HEMISPHERIC ENERGY COOPERATION

Recognizing the importance of energy relationships in the hemisphere, the Miami Summit of the Americas initiatives included "Partnership for Sustainable Energy Use" and "Hemispheric Energy Cooperation." The U.S. and Venezuela, the respective proponents, agreed to merge these initiatives into a co-chaired process of "Hemispheric Energy Cooperation." The shared objectives are to promote energy security and economic growth and to bolster the economic development of the hemisphere while promoting environmental protection. For the United States, Latin American markets offer opportunities for U.S. oil and gas, and high-tech environmental technology industries. The Western Hemisphere supplies over half of our oil import needs. In Latin America, energy plays a critical role for urban and industrial development as well as for the economic growth of rural areas. Renewable energy, which utilizes the latest U.S. technologies, can provide cost-effective electricity, particularly in remote areas.

To ensure broad hemispheric cooperation, the Energy Ministers of the hemisphere met in Washington in 1995, and again in Bolivia in 1996, to outline a common agenda, including information exchange, training and project implementation, and working groups in energy sub-sectors. Accomplishments have included the establishment of a Western Hemisphere Oil and Gas Environmental Forum, development of strategies for rural electrification, and progress towards phase-out of lead from gasoline. In advance of the Santiago Summit of the Americas, a third Hemispheric Energy Ministerial will be held in Caracas, in January 1998.

The Hemispheric Energy process is promoting the policies, and regulatory frameworks that ensure the most efficient use of energy, for economic, environmental and greenhouse gas objectives. Argentina, which set clear energy frameworks since the early 1990s, has been able to privatize its electric sector, obtaining sizable U.S. investment and better, more efficient energy technologies. American companies are making large investments in Brazil, but a lack of regulatory clarity and state dominance of the energy sector are roadblocks.

TALKING POINTS

- The Summit of the Americas Energy initiatives have shown a hemispheric commitment to economic growth and efficient, environmentally sound, use of energy. We all win if all forms of energy, conventional, and renewable, are developed and used in an environmentally sensitive manner.
- The United States and Venezuela have co-chaired a process of "Hemispheric Energy Cooperation." I am pleased that Caracas will host a meeting of the Hemisphere's energy ministers in January 1998.

REGIONAL ISSUES: CLIMATE CHANGE AND LATIN AMERICA

Venezuela: Venezuela has the world's fourth largest oil reserves. However, under current production, Venezuela will produce oil only for decades, not centuries as is predicted for Saudi Arabia. Its national interest therefore lies in maintaining a strong trade in oil in the medium term. To date, Venezuela maintains solidarity with OPEC's opposition to U.S. proposals, but may be open to a role for developing countries based on wealth and emissions levels. They are to be commended for completing a draft climate change action plan which addresses ways to control greenhouse gas (GHG) emissions. On the other hand, they are seeking greater exploitation of considerable heavy crude oil reserves. While new technologies would lower their sulphur and particulate emissions, CO2 emissions are still high.

Argentina: Of the three countries, Argentina has been the most open minded toward elements of the U.S. climate proposal. They may be willing to consider our proposals outlining a gradual phase-in of commitments by advanced developing countries, although not within the Kyoto timeframe. High level GOA enthusiasm for a statement of intent on Activities Implemented Jointly may signal further endorsement of flexible measures to reduce GHGs, especially important coming from a MERCOSUR trading partner.

Brazil: As the third largest emitter of GHG in the hemisphere and world's largest emitter due to land use change due to agricultural and logging practices, Brazil's participation in the climate change convention is vital. Brazil contends its low per capita emissions compared to developed countries indicates the latter bears the responsibility. They oppose Joint Implementation in any form, viewing it as a ploy to dictate policy in the Amazon and force them into emissions reduction commitments. Brazil's protocol proposal, while acknowledging the global nature of the climate change problem, exonerates developing countries from firm commitments until many decades in the future--highly attractive to many G-77 members but unworkable for the U.S. domestically and unacceptable in terms of addressing the emissions problem. Since 1990, USAID's \$30 million climate change program in Brazil has demonstrated successful methods for reducing Amazonian deforestation; a program component promotes U.S.-based clean energy technologies.

TALKING POINTS

- Climate change is a global problem and therefore requires the participation of all countries if we are to solve it.
- Kyoto is an important step on the road toward a solution. We believe that out of Kyoto should come realistic, achievable and binding targets for developed countries.

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- We also believe there must be a meaningful role for developing countries. Kyoto must show the world that all countries are committed to solving the problem of greenhouse gas emissions.
- I believe your support in formulating that message is essential.

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REGIONAL ISSUES: PERU-ECUADOR BORDER DISPUTE

Ecuador and Peru have had a disputed border since colonial times. In 1941-42 Peru defeated Ecuador in a war which ended with the Rio de Janeiro Protocol which defined their common border and provided for its demarcation. The demarcation process broke down, and the two countries fought several brief border conflicts. Following fighting in 1995, the Guarantors of the Rio Protocol - Argentina, Brazil, Chile, and the United States - agreed to help negotiate an end to the border dispute, and formed the Military Observers Mission Ecuador-Peru (MOMEPE) to police a demilitarized zone. The Governments of Peru and Ecuador cover the costs of the observers mission. The United States has provided helicopter and other support to MOMEPE since its inception. Brazil will assume responsibility for helicopter support in December 1997 with four Blackhawk helicopters recently purchased from Sikorsky. This will allow the US presence to be reduced from 61 to 16 or 17, most of whom will be communications support personnel.

Ecuador and Peru, with assistance from the Guarantors, are engaged in talks in Brasilia. The first phase of the talks, in which the two parties laid out their positions, ended September 26. The second phase, to negotiate a resolution, will begin in November. The third phase, in which the Guarantors offer recommendations for resolving remaining differences, will begin in early 1998. President Alarcon and Foreign Minister Ayala Lasso of Ecuador have stated their desire to settle the border problem before Alarcon leaves office in August 1998. We would like to have the talks succeed by the Summit of the Americas in April. However, Foreign Minister Ferrero and other Peruvian officials have said that the talks must proceed at their own pace and cautioned against setting a deadline for their conclusion.

The Guarantors should continue to assist Ecuador and Peru to negotiate a definitive and peaceful resolution of their border dispute. They should be prepared to make recommendations for resolving points on which the two sides cannot reach agreement. The Guarantors should continue to participate in MOMEPE as long as Ecuador and Peru are making progress in the border talks.

TALKING POINTS

- Thank President Cardoso for accepting the responsibility for providing helicopter support for MOMEPE, relieving the United States of this duty which it has shouldered for more than two and one-half years, and assure him of continued United States commitment to MOMEPE.

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- Stress the importance of continued Guarantor support for the peace process, including MOMEPA, and of helping Ecuador and Peru to reach a definitive and peaceful resolution of their border dispute.

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REGIONAL ISSUES: FREE TRADE AREA OF THE AMERICAS (FTAA)

Efforts are well underway to create a FTAA by 2005, as agreed at the Miami Summit of the Americas. Formal FTAA negotiations will be launched at the Santiago Summit in April 1998.

To date, Trade Ministers have convened three meetings in Denver, Cartagena, Colombia and Belo Horizonte, Brazil to lay the groundwork for FTAA negotiations. As a consequence of these meetings, twelve working groups were created and are now compiling and analyzing technical data on trade-related hemispheric issues. A fourth meeting of Trade Ministers will be held in San Jose, Costa Rica in March, 1998. This meeting will produce a declaration describing how and what the FTAA process will negotiate.

There is general agreement among hemispheric participants that the FTAA will be crafted as a balanced and comprehensive WTO-consistent agreement to achieve free trade through the elimination of hemispheric tariff and non-tariff barriers. Countries may negotiate individually or as members of a sub-regional integration group, an important point to some MERCOSUR, Andean Community and CARICOM members. Finally, the FTAA will be negotiated as a single undertaking -- in which all countries will assume all obligations of the FTAA -- and, as agreed in Miami, there will be "concrete progress" in the negotiations by the turn of the century.

U.S. exports to Latin America and the Caribbean grew more than 200% between 1990 and 1996 and the region is expected to grow by 4-5% annually for the next several years. The U.S. has captured roughly 40% of exports to Latin America and the Caribbean and we lead in nearly every individual product and service market. But barriers remain high; the OAS estimates that, when non-tariff barriers are included, our exports to the region face average effective tariffs of over 18%. An FTAA will put us in a substantially better position to expand exports to the region. It will institutionalize fair rules of the game, so that U.S. exporters and investors can compete fairly on the basis of price, quality and service.

TALKING POINTS:

- 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.

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- Finally, we cannot forget that, to fulfill Miami's vision of prosperity for the Americas, we must address the linkage of 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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REGIONAL ISSUES: EDUCATION AND TECHNOLOGY

In the region, education has become a rallying point for politicians, educators, civil society and the private sector. Their interest spans concerns that schools do not prepare children to be adults in the workplace or in the region's democracies. The focus is especially on public schools, long the forgotten, poor relatives of most of the region's national education systems, where public universities received the bulk of national funding. The statistics are frightening. For example, Brazil has the fifth worst primary school completion rate in the world, the UN reports.

Against this backdrop, the upcoming Santiago Summit of the Americas has become the forum to develop a hemispheric approach to education. When Foreign Ministers met June 1 in Lima, governments approved the outline of the Santiago Summit Plan of Action, and education took pride of place as its first initiative. By the time of your visit to the region, negotiators should have fleshed out the education action items.

To improve quality in education, we expect items on standards, assessments and indicators, and teacher preparation. Other items include distance learning, increased exchanges, and worker trainee programs. Information technology will have a role; its action item must deal with differing levels of infrastructure development.

TALKING POINTS

- Effective education systems will be the key to progress in the hemisphere, for the workplace and real participation in democracy.
- The Santiago Education Initiative must address the hemisphere's real needs with a few positive, high-impact action items. Standards, teacher preparation, school to work programs, civic education, exchanges, distance learning and technology all have a role in improving education and giving all the hemisphere's children a better tomorrow.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. briefing paper	Regional Issues: Hemispheric Transparency In Arm Acquisitions (1 page)	ca. 10/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Inter-American Affairs
OA/Box Number: 1361

FOLDER TITLE:

POTUS [President of the United States] - Travel (Venezuela, Brazil, Argentina,
October 13-18, 1997): Background Papers, Regional Issues

2009-1155-F

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RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
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REGIONAL ISSUES: THE SECRETARY GENERAL'S UN REFORM PROPOSALS

UN Secretary General Kofi Annan announced an initial set of proposals for UN administrative and managerial reforms in March (Track One reforms). These are now being implemented with strong U.S. support, especially with regard to consolidation of three UN Secretariat economic departments, budgetary reductions, and savings in overhead costs. The Secretary General announced a second, more comprehensive set of proposals (Track Two reforms) on July 16, containing both actions which he can carry out on his own authority and recommendations requiring approval by UN member states. We especially favor the proposals on creating a Deputy Secretary General position; reorganizing the Department of Humanitarian Affairs into an Office of Emergency Relief Coordinator; consolidating the Human Rights Center into the Office of the High Commissioner for Human Rights; using thematic debates in the General Assembly instead of special global conferences on particular issues; elimination of 1,000 posts; a negative-growth budget for 1998-99; application of a code of conduct, and other administrative reforms previously announced.

We oppose or require additional information on certain measures calling for the creation of new financing mechanisms or a new UN department. We oppose creating a Revolving Credit Fund to meet cash flow problems from delayed dues payments. Instilling better management and budget discipline is the best way to solve the UN system's cash flow problem in the long run, and paying U.S. arrears under specific terms provided in U.S. legislation should alleviate many short-term concerns.

We need more information about proposals for a new Department of Disarmament and Arms Regulation (especially its relationship with the existing Conference on Disarmament); Office of Development Finance (which is likely to push for foreign aid targets and multi-year pledges, concepts on which there is not widespread support); Economic and Social Development Account to reprogram savings to development-related activities; and the proposed restructuring of the crime and narcotics programs.

Industrialized countries generally applaud the Track Two recommendations, while reactions from developing countries have been more equivocal. The Latin American nations have not been major players on the economic and social aspects of UN reform. We assume that they support reform in general, but would have concerns about how reform would affect their special interests. Member states will likely discuss Track Two and other aspects of UN reform during the 52nd UNGA. The United States will encourage all member states to seriously consider those Track Two measures requiring intergovernmental approval, and to join us in acting promptly to implement those recommendations which will clearly benefit the UN system.

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TALKING POINTS

- The Secretary General's July 16 reform initiatives are an important contribution to the crucial effort of improving the UN. The United States especially supports the recommendations on restructuring economic and social activities in the areas of development, humanitarian relief, and human rights.
- In the interest of budget discipline, we have reservations about some recommendations for new financing mechanisms and new UN departments. Instilling better management and budget discipline is the best way to solve the UN system's cash flow problem in the long run.
- We ask member states to join us in identifying and implementing those proposals that would clearly benefit the UN system.

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003. briefing paper	Regional Issues: WTO Financial Services (1 page)	ca. 10/1997	P1/b(1)

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