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Folder Title:

[Santiago Summit of the Americas 1998] [Loose Material] [3]

Staff Office-Individual:

Inter-American Affairs-Feinberg, Richard

Original OA/ID Number:

1521

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10

Divider Title: _____

REVISED PROPOSAL ON COUNTERNARCOTICS

II. Preserving and Strengthening Democracy and Human Rights

- **Actions aimed at reinforcing Hemispheric proceedings to confront corruption, narco- trafficking, and terrorism.**

Governments will:

- Create a Hemispheric Alliance Against Drugs, based on the principles of the 1988 Vienna Convention and the 1996 OAS Anti-Drug Strategy in the Hemisphere, to improve international cooperation to counter all aspects of the production, trafficking, and consumption of illicit narcotics and related crimes, and, in order to monitor progress of all Summit governments objectively in this effort, develop a multilateral assessment process via the OAS/CICAD that
 - ◇ allows the strengthening of hemispheric dialogue and cooperation in a broad and balanced approach, based on shared responsibility and full respect for the principles of international law;
 - ◇ establishes criteria acceptable to all Summit governments for comprehensive national drug plans;
 - ◇ measures periodically performance in implementation of the drug plans, which each country will produce based on the agreed upon criteria;
 - ◇ surpasses and improves upon the effectiveness of current evaluation procedures;
 - ◇ utilizes technical analysis and internationally-accepted standards, such as the 1988 Vienna Convention and the 1996 OAS Anti-Drug Strategy;
 - ◇ addresses international cooperation in all related areas of criminal activity, such as trafficking in illegal firearms, money laundering, and precursor chemical substances;
 - ◇ is coordinated with activities carried out by the UN Drug Control Programme and the International Narcotics Control Board; and
 - ◇ serves to focus international technical programs on those areas most in need.
- (Counternarcotics) [The action item on extradition is pending the results of discussions among ministers of justice.]
- (Money Laundering) Establish special units that are properly trained and equipped to collect and analyze information on financial crimes and money laundering and to share such information with regulatory and law enforcement agencies; complementary to this, facilitate timely sharing between national governments of information on financial crimes and money laundering.

RATIONALE

Since the Miami Summit, there have been several multilateral efforts that offer the basis for greater cooperation in the counternarcotics area. The 1996 OAS Anti-Drug Strategy in the Hemisphere and the 1995 Buenos Aires Communiqué laid out common principles for cooperation. In addition, all Summit governments have now ratified or acceded to the 1988 UN Convention. The proposal lays out the parameters of a new "Hemispheric Alliance Against Drugs," the purpose of which is to promote international cooperation and to implement comprehensive national drug plans drawn up from internationally agreed criteria. A multilateral process will assess the performance of all Summit governments in the implementation of these plans.

In addition, leaders could commit to strong follow-up actions to the Buenos Aires Money Laundering Ministerial by establishing properly trained and equipped special units and increasing information-sharing between governments on financial crime and money laundering matters.

INPUT FROM OTHER SUMMIT GOVERNMENTS

At the November 21 consultation in Santiago, a consensus emerged that the SIRG could develop the broad policy mandate as above and the OAS Inter-American Drug Abuse Control Commission could finalize the details after the Santiago Summit. Delegates raised several useful comments that were synthesized into the current first action item. Several countries expressed concern with the wording of the action item on extradition, and it was decided that justice ministers meeting in Buenos Aires December 1-3 might wish to discuss the item further.

TALKERS FOR U.S. CHAIR AT THE SIRG MEETING

COUNTERNARCOTICS

Thank you, Mr. Chairman. My government has been privileged to act as the Responsible Coordinator on this very critical issue. In our hemisphere, each of our countries suffers from the scourge of illegal drugs – whether through drug abuse and addiction, such as in my country, or through the violence and corruption associated with drug production and trafficking.

The agreements our leaders in this area have the potential to affect the lives of every one of our citizens. The fundamental objective of our collective action in this Summit, Mr. Chairman, must be to minimize the threat that illicit drugs pose to our societies and peoples.

The proposal of my government is a significant departure for hemispheric relations in the area of counternarcotics, but we believe it is an idea whose time has come. This proposal, if accepted, will seek to capture the momentum we have achieved in this area since the Miami Summit and turn it into tangible, concrete results.

The countries of the hemisphere have come to view this threat as a *common* problem for which we have a *shared* responsibility. Since Miami, we have witnessed an unprecedented wave of international cooperation in counternarcotics – cooperation in areas that just a few short years ago seemed impossible.

Internationally, we have many accomplishments to point to:

- all our governments have, since Miami, ratified the 1988 UN Vienna Convention;
- we have a hemispheric response to money laundering, as laid out by the 1995 Buenos Aires Communiqué;
- we have adopted the Convention Against Illegal Firearms;
- we have increased cooperation in the control of precursor chemical substances; and
- we have negotiated in the OAS the 1996 Anti-Drug Strategy in the Hemisphere

The Santiago Summit is an opportunity to build on these successes. Our proposal is to establish a new “Hemispheric Alliance Against Drugs,” the purpose of which is to improve international cooperation in all aspects of the production, trafficking, and

consumption of drugs. This Alliance would also encompass cooperation in countering the crimes related to illegal drugs.

The “backbone” of the Alliance would be comprised of two elements. The first is international counternarcotics initiatives such as those I described earlier. The second is the formulation by each country of comprehensive national drug plans that are based on internationally-accepted principles and would incorporate all aspects of the consumption, trafficking, and production of illegal drugs. The national plans would contain measures by which countries can self-evaluate their progress.

In order to make the Alliance credible and effective, the proposal calls for the establishment of a multilateral assessment process that is objective and technically based. My government has publicly stated that once a credible process was established, the United States would be among the first to be evaluated.

My government discussed this proposal during the November 21 pre-SIRG consultation in Santiago. Based those and other discussions, a new text was circulated. Several governments gave constructive comments and we now have a text that is much improved over the original one and, I believe, enjoys wide support in the hemisphere..

As the proposal is now formulated, our leaders in Santiago would endorse the broad principles and parameters of the Alliance. The mandate to develop the technical design of the Alliance and to spell out the multilateral assessment process will be given to the CICAD. Accordingly, my government briefed CICAD on this proposal at its meeting last month in Lima. CICAD plans to discuss the technical details of the proposal informally later this week.

In remarks before a recent conference of government officials and academics on multilateral counternarcotics efforts, Special U.S. Envoy Mack McLarty stated firmly that “we now have partners in our hemisphere who are capable, courageous, and committed to the fight against drugs. And so our policy, too, must evolve.” Mr. Chairman, my government believes that the hemisphere is now ready to consider a new approach for confronting the threat of illegal drugs.

Let me turn briefly to the other two action items listed in the proposal. While they are not specifically linked to the action item on the Alliance, they are nevertheless fully complementary with its goals.

We proposed an action item dealing with the issue of extradition. This action item was taken up by governments in Santiago on November 21, who raised several questions as to the wording of the language. In order to seek further consultation, our delegation to last week's meeting of Justice Ministers raised this issue with their counterpart. Based on those discussions, we have reformulated the draft into a more acceptable version. Mr. Chairman, please forgive us for submitting such a late proposal, but we are only able to circulate it now.

Also, we have made a proposal for the creation of special units to collect and analyze information on financial crimes. There has been significant progress in the money laundering area since Miami, and we believe this is an action that can build on those successes.

All of these proposals are key in fighting illegal drugs and related crimes. They are a natural progression of the work that began in Miami, and we believe will advance the hemispheric agenda in this most critical area.

I would like to personally thank those governments that made such constructive contributions to these proposals. This is without a doubt a complex and difficult issue and we invite all governments to participate in the development of a counternarcotics proposal that is truly worthy of the attention of our leaders in Santiago.

Mr. Chairman, I would like, with your permission, to call on Dr. Julio Cesar Araoz, Secretary of Planning for the Prevention of Drug Addiction and the Fight Against Narcotrafficking of Argentina, to speak. Argentina, as a co-coordinator of the counternarcotics issue, has been instrumental in achieving progress in the money laundering area. Dr. Araoz has been a reliable partner in this effort, and I would like to invite him to share some comments.

Thank you, Mr. Chairman.

[IF RAISED] In discussions we have already held with officials in the region, the first question that is asked is whether this multilateral mechanism would replace the U.S. certification process. Let me be very clear. Certification is a U.S. law with which my government must comply. It is true, however, that we are currently reviewing the certification policy to see if it should be modified. The results of the Alliance will affect recommendations we might make to our Congress on possible modifications the certification.]

Drafted: ARA/EPSC - MWells (70742) E:\SEEPSC\SESCO\DRUGSIRG.DOC

Cleared: ARA - PRomero
ARA/EPSC - RCBrown
ARA/USOAS - Tom Ochiltree
INL - ECarroll (info)
ONDCP - RBaum
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Document Title Miguel Ruiz-Cabanas to Ambassador Brown

Language: Spanish

Folder Title [Santiago Summit of the Americas 1998] [Loose Material] [3]

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Document Title Position of Mexico on United States Proposal

Language: Spanish

Folder Title [Santiago Summit of the Americas 1998] [Loose Material] [3]

OA/ID: 1521



MINISTÉRIO DAS RELAÇÕES EXTERIORES

SECRETARIA-GERAL

Fax: (061) 225.2208

Remetente (From): Embaixador Adhemar G. Bahadian
Secretário-Geral Adjunto das Relações Exteriores

Destinatário (To): Ambassador Richard Brown
Summit Coordinator
Department of State

Fax No. : 001 202 736 76 18

Data/Date: 26/11/97

Número de Páginas (Number of pages): 01

Dear Richard

Thank for your fax dated November 25 with the new version, now fully cleared inside the US Government, of the proposed text on the issue of illegal drugs and related crimes for the Santiago Plan of Action.

Regarding this text, I would like to present some ideas, which, in the point of view of the Brazilian Government, would facilitate the discussion of the American proposal in the next SIRG meeting:

- a) The text of the proposal should make clear that the principles agreed upon in the 1988 UN Convention and the 1996 OAS Strategy will guide the "Alliance" intended to be launched in Santiago. The reference to such principles should be made right at the beginning of the document;
- b) The "Alliance" should also emphasize the need to strengthen multilateral cooperation in the fight against illegal drugs and related crimes (arms trafficking, money laundering, essential and chemical precursors diversion, etc.);
- c) For Brazil, the monitoring of the evolution of the "Alliance" should be undertaken by Governments;
- d) The monitoring should not only encompass national plans, but also multilateral cooperation initiatives that should be formulated in the context of the implementation of the "Alliance". These two dimensions should constitute the backbone of the "Alliance".

All the best

Adhemar

EM CASO DE ERRO NESTA TRANSMISSÃO, FAVOR LIGAR PARA
(IN CASE OF TRANSMISSION ERROR, PLEASE CALL)
(061) 211- 6120

RCB
JCK
MAU
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Subgroup: National Security Council

Series: Inter-American Affairs

Subseries: Feinberg, Richard

Document Title Revised Proposal on Counternarcotics

Language: Spanish

Folder Title [Santiago Summit of the Americas 1998] [Loose Material] [3]

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11

Divider Title: _____

II. Preserving and Strengthening Democracy and Human Rights

- Actions aimed at reinforcing Hemispheric proceedings to confront corruption, narco- trafficking, and terrorism.

Governments will:

- (Terrorism) Carry out measures to fight terrorism as agreed in the 1996 Inter-American Specialized Conference on Terrorism, and seek to sign, ratify, and/or accede to international conventions related to terrorism, in accordance with their domestic laws.

RATIONALE

The OAS member states pledged at the Inter-American Specialized Conference on Terrorism, held in Lima in April 1996, to take measures to prevent, combat and eliminate terrorism. Mandated by the Miami Summit of the Americas, the Lima Conference adopted a Declaration and Plan of Action which set forth practical measures to eliminate terrorism and bring terrorists to justice. It is important at this stage for hemispheric leaders to commit to implementing the Lima Conference Plan of Action and to reaffirm their efforts to either sign, ratify, accede to, or implement other international conventions related to terrorism.

STATUS

While the Argentines produced a lengthy paper on the subject, the Argentine delegate at the November 21 meeting indicated he would accept the U.S. proposal. The Guatemalans proposed a second Terrorism Conference possibly in 1998, though further discussion revealed divisions on the timing. The U.S. Mission to the OAS advises that the funds and usefulness of such a meeting would be questionable. Argentina was asked to consult and propose new language, minus a definite date if necessary.

TALKERS FOR U.S. CHAIR

TERRORISM

- Thank you, Mr. Chairman. My government participated in the discussion of this initiative during the November 21 consultation meeting in Santiago.
- During that meeting, we emphasized the need for governments to commit to the existing international conventions related to terrorism, as called for in the 1996 Inter-American Specialized Conference on Terrorism.

[NOTE: The Argentines agreed in Santiago to include our proposal in their paper. At the time of this writing, we had not received it. If the Argentine proposal contains our language, U.S. chair should acknowledge as follows:

- We note that this idea has been incorporated into the new proposal and we would like to express our support..]

[If the Argentine paper is too long – four ticks or more:

- As this is such an important issue, and one that our press and publics are especially interested, we would recommend some refining of this proposal. Perhaps we could focus on one or two of the most relevant actions in this area. My government is willing to assist the Government of Argentina and any others who so desire in polishing this proposal.]

[NOTE: If Guatemala proposal for a second Terrorism Conference, the U.S. should not take the lead to oppose it. If others oppose, U.S. chair could deliver the following point:

- We commend the Guatemalans for this proposal and their effort to maintain forward momentum in this area. We are not opposed to such a conference, but its purpose should be made very clear before we proceed. The first conference set out clear recommendations which countries are working to implement. We have questions as to what further actions can be taken in this area beyond those recommendations.
- We should also keep in mind the cost factors involved in putting on such a conference. We would not want to obligate OAS resources, which are already scarce, unless the benefits of the meeting are evident.]

TO BE REVISED
PRIOR TO 5124

TERRORISM

Proposal of Argentina

I. Terrorism, considered as a crime, extends beyond a certain geographical area, region or country. Indeed, no society is free from the lethal effects of this scourge, our Continent not being an exception to the rule. We have suffered in the flesh the consequences of acts committed by terrorist groups, which have globalized their crimes and diversified their methods.

Because of the above, no Member State of the international community may stay aside from or take a neutral position in the fight against this world-wide scourge.

The struggle against terrorism demands, in the first place, a strong commitment of each State to domestically prevent and punish terrorist acts, not to help or give refuge to perpetrators or accessories in terrorist activities, and to strengthen and develop their own domestic laws, adopting all such measures as may be appropriate to prosecute or extradite perpetrators of terrorist acts.

Such domestic measures should be supported by resolute actions at regional and international levels. Improvement of cooperation mechanisms and coordination between States is essential for successfully tackling this scourge. It is also required a solid and continuous organic cooperation within the international law framework, a full observance of the rule of law and respect for human rights and political liberties. To reaffirm ethic and legal basis that should exist in all State activities, particularly those aimed at protecting life, safety and property of people, is crucial to combat terrorism.

In America, regional cooperation against terrorism takes increasingly intense, diverse and specialized forms. Our Continent, through a large set of multilateral conferences and meetings, has shown signs of rapprochement of views regarding the common awareness-raising process on the need to maximize coordination of our actions.

II. Concerning this resolute effort, mention should be made of the role played, and to be played, by the Organization of American States, which, as promoter of regional policies aimed at consolidating our democratic systems, is the best forum for Member States to delineate a common strategy to face terrorism.

Since December 1994, when the Heads of State and Government of the Americas met in Miami, condemned all forms of terrorism and committed to jointly and strongly combat terrorist acts in the Americas, American States have made significant progress.

Within the context of this Summit, the Argentinian Government called upon South American countries, as well as the United States and Canada, to participate in consultations to prevent and eradicate international terrorism. These consultations, held in Buenos Aires on August 1-2, 1995, were particularly fruitful, and laid the foundations for deliberations and final conclusions at the Specialized Conference on Terrorism called upon by the Miami Summit. Thanks to the significant efforts made by the Peruvian Government, the said Conference was held in Lima between April 23-26, 1996. Thereat, two specially relevant international instruments were adopted, namely, the Lima Declaration on the Prevention and Eradication of Terrorism and an Action Plan on Hemispheric Cooperation to Prevent, Combat and Eradicate Terrorism.

Both adopted instruments reflect the strong commitment of the American States to increase cooperation and coordination in the struggle against this scourge, to strengthen and continue to develop domestic laws on the matter and to maximize harmonization of domestic laws to prevent, combat and eradicate terrorism.

According to the time schedule of the works carried out in Lima, the most appropriate means and mechanisms to follow-up actions recommended in the action plan are:

- i). operations by the police, intelligence, migration control and customs officers, especially as regards exchange of information, creation of a database, training of personnel specialized in anti-terrorist techniques, and borderline cooperation, and
- ii). legal-political operations. In this regard, it is essential to appraise the importance for international community to have at its disposal legal instruments adequate for facing terrorist acts.

1. Regarding letter (i), pursuant to item 23 of the Lima's Plan of Action, on May 5-6 of the current year, at the Headquarters of the Organization of American States, a fruitful meeting of governmental experts was held - at the invitation of OAS Permanent Council - to examine ways to improve exchange of information among Member States to prevent, combat and eradicate terrorism. Below are some of its conclusions:

- a). Concerning the analysis of existing mechanisms for exchanging information, the Member States agreed upon the necessity to systematize information available to each country, to create a database providing information to both domestic and foreign governmental agencies and to protect confidential information, which shall be disclosed through compatible information systems among the Agencies of the different countries.

With regard to the criteria and actions for improving the existing exchange information mechanisms, the Member States discussed the necessity to identify criteria and types of information to be shared by OAS Member States. To such effect, it was recommended that a Board be established, formed by the agencies responsible for the prevention and combat of terrorism in each country. The OAS General Assembly has included this recommendation in item 5 of Resolution AG/Doc. 3586/97.

- b). With respect to other cooperation measures among OAS Member States, according to item 13 of the Lima's Action Plan, a special emphasis was placed on the relevance gained by new borderline cooperation ways, particularly migration control systems, computerization of borderline crossings and establishment of joint mechanisms to prevent crimes. Consensus was reached on the necessity to create cooperation links preventing the entry and free transit of people involved in terrorist acts and to promote the conclusion of bilateral or multilateral agreements favoring police cooperation in borderline security matters.

Among existing national and regional mechanisms, some arrangements stood out: the Agreements between Mexico and Central America, the Treaty on Democratic Security (articles 10, 18 and 60) and the Tripartite Borderline Agreement subscribed by Argentina, Brazil and Paraguay. Under the latter agreement, the three countries undertook to coordinate actions against terrorism and drug trafficking in borderline areas, including the creation of a common database, the connection of existing ones and the establishment of joint mechanisms to tackle crime and terrorism.

As regards further cooperation mechanisms among Member States, mention was made of making a better use of Interpol's systems as a tool to identify transit of terrorists, although such systems are not specifically intended to combat terrorism. Holding a Convention against Illicit Weapon Traffic was also deemed advisable.

2. Concerning financing, weapon traffic and other activities in support of terrorist acts, agreement was reached on the necessity to establish cooperation programs to identify manufacturers and traffickers of chemical, biological or other weapons, ammunition and explosive material used in terrorist acts.

As to the legal-political aspect, it is fundamental to focus on the legal considerations involved in the fight against terrorism. Special relevance is gaining the analysis of applicable international laws currently in force, the classification of terrorist acts as major common crimes, the strengthening of judicial cooperation, cooperation in extradition matters, exchange of information and harmonization of domestic laws punishing terrorist acts and the establishment of methods to prevent the unlawful use of diplomatic privileges and immunities for terrorist purposes.

Several international instruments in force include regulations on specific assumptions concerning terrorist acts. In this regard, each State should examine the reasons underlying its failure to ratify or accede existing Conventions. It is worth recalling the importance of item 2 of the Lima's Action Plan, according to which Member States' governments shall promote the prompt subscription, ratification and/or accession to international agreements related to terrorism, pursuant to their own domestic laws. To honor this commitment is imperative.

Additionally, Party States to the international Conventions in force need to revise their own regulations in order to effectively adjust them to the international obligations acquired.

It is essential to upgrade the respective judiciaries, placing emphasis on the training of judges, the communication pursuant to item 6 of the Lima Declaration - among the several competent bodies to expedite the production of evidence, and on the perfection of extradition treaties.

Adjusting and strengthening domestic laws mainly entails more severe punishments (according to the seriousness of the crimes committed) and a more accurate classification of terrorist acts. Likewise, a phased harmonization of applicable criminal laws should be sought. To these effects, it is necessary to exchange information among States on domestic laws, including initiatives and bills which are in drafting process.

Lastly, the misuse of privileges renders it imperative for Member States to jointly adopt a strong decision to denounce and punish these situations under the Convention of Vienna on Diplomatic and Consular Relations, other bilateral agreements or arrangements concluded with international bodies, according to the usages and customs in force. Practical prevention measures could be analyzed, including continuous quantification of diplomatic and consular missions, creation - within the United Nations or other international or regional fora - of an international register of diplomatic passports in order to prevent forgery thereof and abuse of such instruments, and regular exchange of relevant information on the staff of diplomatic and consular missions.

This report cannot ignore the role played by the United Nations, which, in its 5-year plan, has given priority to the fight against terrorism. In this regard, works carried out by the United Nations since 1994 - when the General Assembly adopted Resolution 59/60, a relevant international tool to combat terrorism - have been supplemented by Resolution 51/210. The establishment of a Special Committee for the Adoption of Measures to Eradicate International Terrorism, which is discussing a draft Convention submitted by the G7 and the Russian Federation on the repression of terrorist bomb attempts, enhances the role played by the United Nations in the combat of terrorism.

In order to further the development of this matter at a continental level, it is necessary to have at our disposal the information the United States can provide us with. We should jointly define appropriate means and mechanisms to follow-up measures recommended in the Lima's Plan of Action. To this effect, any ideas and concerns would be welcomed by the Follow-up Revision Group of the Summit of the Americas.

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II. Preserving and Strengthening Democracy and Human Rights

- Actions in the area of confidence and security building measures between states.

(Note: Leaders should agree in the political declaration or in the introduction to this initiative to implement fully the recommendations of the 1995 Santiago Conference on Confidence and Security Building Measures (CSBMs).)

Governments will:

- Promote programs to train civilians in CSBMs and military budget formulation.
- Promote non-traditional CSBMs such as border parks and other mechanisms in appropriate circumstances.

RATIONALE

At the direction of hemispheric leaders in Miami, the Santiago Conference on Confidence- and Security-Building Measures met and adopted several recommendations that are already being implemented. In order to further strengthen mutual security, leaders could call attention to the need for increased training for civilians who work in defense budget policy. In addition, leaders could take an innovative approach to CSBMs by endorsing the use of cross border parks, an idea that could increase security, reduce tensions, and have several positive environmental implications.

STATUS

The Chileans are responsible for drafting this proposal. At the November 21 meeting, they indicated they are consulting with Argentina on a draft that would be made available as soon as possible. Indications are that they may propose some kind of regional arms policy for Latin America.

Also, it should be noted that there is an initiative underway in the OAS to increase transparency in major arms acquisitions. Without prejudicing those negotiations, we will want some reference to it in the Santiago documents.

In conjunction with pushing for a consolidation of the Brazil-Canada proposal, we have proposed transferring our proposal for an OAS mediation service to the CSBM area.

TALKERS FOR U.S. CHAIR

CSBMS

[NOTE: At the time of drafting, there was not a CSBM proposal. If the new proposal does not contain the U.S. action items, U.S. chair should summarize them as necessary. New talkers may need to be improvised in response to the Chilean proposal.]

- Thank you, Mr. Chairman. As this is the first time we have seen this proposal, I will have to limit my comments to the points that my government has raised in the past.
- We believe this is a vitally relevant topic for the hemisphere and perhaps one of the most promising areas of the Summit.
- We have made progress in this area since the Miami Summit, thanks to the leadership of the Government of Chile.
- The U.S. has offered two proposals for this area that are simple, but could have profound effects on mutual confidence in the hemisphere.
- First, we proposed advocating training programs for civilians that work in defense-related areas in our governments in the areas of CSBMs and defense budgets. This is one practical method for increasing the professional knowledge of officials in this area and thereby increase the transparency and availability of information regarding defense spending.
- Our second proposal is an endorsement by leaders in Santiago of the use of cross-border parks as a CSBM. This innovative mechanism can not only help increase confidence among our countries in contentious areas, but will have positive effects for the environment.
- We are making this proposal in accordance with our agreements in Punta del Este and Lima that we would fold-in action items on the environment wherever appropriate.

[NOTE: U.S. chair was to have made an intervention under the democracy/human rights initiative to move the OAS mediation office proposal to the CSBM section. U.S. chair should confirm this switch if necessary:

- Also, Mr. Chairman, my government made a proposal on democracy and human rights concerning the establishment of an office at the OAS for the mediation of conflicts within and between countries, at the request of member countries. Given the efforts to narrow the scope of the current Brazil-Canada, we would like to recommend to the chair that that action item be moved to the CSBM area of the agenda.]

[If no concrete proposal is available at the SIRG:

- Mr. Chairman, my government would be willing to join a working group with Chile, Argentina, and any others that so desire to consolidate a proposal for presentation to the SIRG before the end of this meeting.

[If the OAS Transparency initiative is not mentioned in the Chilean proposal:

- Mr. Chairman, we would also like to make note of the initiative underway in the OAS on transparency in major arms acquisitions. We would like to recommend that the final CSBM proposal for the Santiago Summit contain some reference to this major initiative. The exact wording, of course, would depend on the status of negotiations at the time of the Summit.]

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13

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II. Preserving and Strengthening Democracy and Human Rights

- Actions in the area of strengthening judicial systems.

Governments will:

- Strengthen their justice systems, including support for the independence and quality of the judiciary, by implementing measures by 2002 to attract, select, and retain superior candidates for judgeships and by supporting efforts by the hemisphere's judiciaries to establish and strengthen, on the international and national level, judicial schools or centers and enhance regular exchanges of information among the judiciaries in the region, such as on the Internet.

RATIONALE

Effective and independent judiciaries are the core elements of the rule of law. They foment confidence and trust in the fairness of government and the effective operations of commercial and financial systems. They resolve disputes between individuals and between individuals and governments by independently ascertaining the facts and applying the law. For democracy to be sustainable over the long term, there must be equitable, accessible and effective court systems presided over by judges seen clearly to be of the highest moral and intellectual caliber, whose impartiality is beyond question. No effort should be spared to recruit and retain such judges, and during their tenure they must have adequate opportunities afforded them to advance their professional knowledge through academic courses and organized exchanges of information with their colleagues in the region.

STATUS

The above action item is a US proposal presented to Argentina, the Responsible Coordinator, which plans to circulate a consolidated proposal after the hemispheric meeting of justice ministers that took place in Buenos Aires during the first week of December. This US proposal represents a partial revision of our earlier proposal in which we addressed the issue of how judges should be selected, but we have now added the concept of judicial training and education. During consultation, we have found that the idea of professional development enjoys support in the hemisphere. Respectful of the separation of powers concept, our current proposal leaves open to the judiciaries themselves how they want to develop the mix of institutions, centers and programs that would allow both national and international training opportunities.

Talking Points: Strengthening the Judiciaries

(US Proposal Only)

The US proposal is divided into two parts. The first addresses the issue of selecting and appointing judges to the bench, which is a function appropriate to the executive branch of government.

We need to have judges of the highest moral caliber and impartiality. They are the core element of the rule of law in our societies as they resolve disputes of a criminal and civil nature.

For democracy to be sustainable over the long term, access to equitable, effective court systems is crucial. These courts must be seen as presided over by judges of the highest moral and intellectual caliber, whose impartiality is beyond question.

Judges must also have access to programs of training and professional development, and the second part of this proposal addresses that issue.

The US believes that we must let the judiciaries of the hemisphere establish the best ways for themselves to have access to schools, centers, academic courses, and exchanges of information with their colleagues.

This professional development should be able to take place within a national context as well as internationally.

TO BE REVISED
PRIOR TO SIRG

STRENGTHENING OF THE JUDICIAL SYSTEM AND THE ADMINISTRATION OF JUSTICE

Proposal of Argentina

The growing complexity of relations and the multiple nature, of problems, in the national area as well as international, require concerted action of the Governments to ensure the strengthening of their institutions and the independence of their powers.

Governments must be firmly convinced that an effective consolidation of the State of Law cannot exist without strengthening the judicial system. A strong judicial system, independent of the political branch, based on a philosophy of transparency, competence and integrity, is basic to the good development of our democracies and the well-being of our peoples.

To ensure the correct administration of justice and the strengthening of the judicial system, the Governments:

- Shall ensure the independence of judges, not only in their own judicial powers but in the other powers as well. To that end, they shall give priority to reform of the processes of judge selection and promotion.
- Commit themselves to developing mechanisms to facilitate access to justice. For example, such alternative mechanisms as mediation, conciliation and the application of lower-levels of systems of justice to resolve conflicts.
- Shall strengthen the mechanisms of judicial assistance, reciprocal judicial cooperation and exchanges of information in that field.
- Seek to strengthen the official defenders system either by naming public defenders or delegating private counsel.

- Assure the services of free advice and support so that the entire community can be assured of easy access to the system.
- Support the optimization of the quality of service, thus ensuring the quality of decisions. They shall promote, the training and continuing education of personnel for that purpose.
- Attempt to make the administration of justice a service developed with the participation of the citizen, thus committing the entire community to the process. That, finally, shall contribute, basically, to the democratization of the system.
- Implement information campaigns where the media, educational institutions, the economic sector and political leaders participate to change attitudes, promote ethical values and eliminate the subordination of justice to the political branch.

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14

Divider Title: _____

II. Preserving and Strengthening Democracy and Human Rights

- Actions aimed at cooperating on projects for modernization of the state that the countries of the Hemisphere may undertake in the administration of labor matters in accordance with the regulations and the legislation in force in each country.

Governments will:

- Ensure labor ministries have the capacities to support the goals of the Santiago Plan of Action, as appropriate, as well as to enhance their response to the needs of workers and employers, specifically, by improving the quality of the services offered to workers, the integration of technology into these services, the quality of labor market information, and safety and health conditions in the workplace, as well as by decentralizing, where appropriate, their presences to cover more areas within their respective countries.
- Give special attention to the integration of youth, women, and the disabled into the workforce, and to the particular needs and services for such segments of the workforce and exchange experiences among labor ministries on best practices in these areas, with the assistance of the ILO.

RATIONALE

In the Miami Declaration, leaders agreed that “democracy is strengthened by the modernization of the state.” Ministries of labor comprise an important institution for democratic societies and can reinforce peaceful, democratic development by promoting productive employment, even as our countries adapt to the phenomenon of economic integration. Ministries can work toward improved employment services, better information about the labor market, safer working conditions, and wider coverage within their country. The proposal calls for governments to strengthen labor ministries with regard to these objectives. This process should be carried out in a democratic, inclusive manner that takes into account the needs of youth, women, and the disabled, drawing on informational exchanges among labor ministries in the hemisphere and exploring the availability of technical and financial assistance from the ILO.

STATUS

This proposal was presented at the pre-SIRG consultation meeting on November 21 in Santiago. Some governments suggested that the initiative should have broad objectives, not limited to economic integration; the proposal was changed accordingly. The Government of Canada, in addition, noted that labor ministries could not be strengthened until a review process was carried out and offered language to the first action item, which was incorporated, to reflect this point.

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TALKING POINTS FOR THE U.S. CHAIR

MODERNIZATION OF THE STATE IN LABOR

- In the Miami Declaration, leaders agreed that “democracy is strengthened by the modernization of the state.”
- Ministries of labor comprise an important institution in democratic societies and can reinforce peaceful, democratic development by promoting productive employment.
- This is particularly important as all of our countries adapt to the phenomenon of economic integration.
- Labor ministries can work toward improved employment services, better information about the labor market, safer working conditions, and wider coverage within their country.
- The proposal calls for governments to strengthen labor ministries so they can better achieve these objectives.
- Labor ministries in the hemisphere should exchange information on all these issues, and our governments should explore the availability of technical and financial assistance from the ILO.
- Finally, this process should be carried out in a democratic, inclusive manner that takes into account the needs of our youth, of women and of the disabled.
- This proposal was discussed in some detail at the November 21 pre-SIRG meeting in Santiago. Several countries made useful comments, which have been incorporated into the current draft.

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Divider Title: _____



**Summit of the Americas
Second Western Hemisphere Finance Ministers' Meeting**

**Finance Ministers' Recommendations to Heads of Government
for the April 1998 Summit of the Americas**

**SECOND WESTERN HEMISPHERE FINANCE MINISTERS' MEETING
CHILE 1997**



**Finance Ministers' Recommendations to Heads of Government
for the April 1998 Summit of the Americas**

We, the Finance Ministers of the 34 countries participating in the Summit of The Americas, met in Santiago, Chile on December 2-3, 1997, to discuss (i) achieving sustainable economic growth in an increasingly integrated world and (ii) building more open, transparent and integrated financial markets in the hemisphere. We issued a communique and established an action plan of six initiatives to aid in strengthening, modernizing and integrating our hemisphere's financial systems.

On the basis of our discussions, we recommend to our Heads of Government the language and initiatives below for their endorsement in the Declaration of Principles and the Action Plan of the April 1998 Santiago Summit of the Americas. The recommended initiatives draw on our action plan, highlighting those items which most clearly lend themselves to Presidential endorsement.

Declaration of Principles -- Recommended Language

Economic Policy

Within the region, we have made significant progress in establishing sound fiscal and monetary policies, in opening our economies and in achieving and maintaining price stability. Improved economic fundamentals in the region have helped to preserve confidence against a backdrop of global financial instability. We agreed that recent financial market volatility lent greater urgency to our common agenda of pursuing sound macroeconomic policies and strengthening and modernizing financial markets in our countries, and reaffirmed our commitment to deeper economic and financial integration in the western hemisphere.

Securing Long-term Progress

Our experience has shown that reform does not stop with macroeconomic stabilization. A "second generation" of reforms is needed to provide broad-based access to economic opportunity and to ensure long-term prosperity and growth. Such reforms are now underway in many countries -- in such areas as judicial processes, education, financial system development and support for microenterprises and small businesses.

Strengthening, Modernizing and Integrating Financial Markets

Having made substantial progress in achieving our macroeconomic stabilization goals, we are now seeking to increase national savings and ensure that those savings are well invested. In this effort, our hemisphere's financial markets play a central role. Our financial markets need to be deep enough and broad enough to meet a great diversity of investment and financing needs. To achieve this, our countries must continue the process of financial market strengthening, modernization and integration that is already under way, and innovation should be encouraged.

We join our hemisphere's Finance Ministers in urging particular attention to the following issues:

(a) strengthening prudential regulation and supervision of banking activities; (b) strengthening the legal, regulatory and supervisory environment for securities markets and addressing specific operational issues; (c) improving transparency and disclosure through high quality, internationally-acceptable accounting and auditing standards; (d) promoting integration of financial markets within the hemisphere; and (e) combating financial crimes through both domestic action and greater regional and international cooperation.

Plan of Action -- Recommended Initiatives

"Strengthening, Modernizing and Integrating Financial Markets

Governments will:

- o Strengthen banking supervision in the hemisphere through: implementation of the *Basle Core Principles for Effective Banking Supervision*; training programs to strengthen supervisory capacity; and establishment sound, high-quality reporting and disclosure standards for banks, and creation of a Working Group to assist countries in this process.
- o Improve banking and securities market clearance and settlement systems in the hemisphere, in order to facilitate the transparency, efficiency and security of internal and cross-border transactions.
- o In the Free Trade Area of the Americas (FTAA) process, establish a separate financial services negotiating group in the context of a single undertaking."



**Summit of the Americas
Second Western Hemisphere Finance Ministers' Meeting**

Joint Ministerial Statement

SECOND WESTERN HEMISPHERE FINANCE MINISTERS' MEETING
CHILE 1997



**Joint Ministerial Statement
Summit of the Americas
Second Western Hemisphere Finance Ministers Meeting
Santiago, Chile
December 2-3,1997**

INTRODUCTION

1. We, the Finance Ministers of the 34 countries participating in the Summit of The Americas, met in Santiago, Chile to discuss achieving sustainable economic growth in an increasingly integrated world and building more open, transparent and integrated financial markets in the hemisphere, in accordance with the commitment of our Heads of State and Government.
2. Our discussions on economic and financial developments in the western hemisphere and globally were especially timely and useful in light of recent turbulence in world-wide financial markets. We noted that improved economic fundamentals in the region have helped to preserve confidence. We agreed that recent financial and exchange market volatility lent greater urgency to our common agenda of pursuing sound macroeconomic policies and strengthening and modernizing financial markets in our countries, and reaffirmed our commitment to deeper integration in the western hemisphere.

MACROECONOMIC POLICIES TO PROMOTE PROSPERITY

3. As recent events demonstrate, sound and consistent macroeconomic policies are essential in achieving prosperity, reducing poverty and ensuring sustainable economic growth while maintaining financial market stability. The challenge is to establish a lasting, credible policy framework that can respond to economic shocks and adapt to a changing global economic environment.
4. Within the region, we have made significant progress in establishing sound fiscal and monetary policies, in opening our economies and in achieving and maintaining price stability. This has instilled confidence and provided new opportunities for economic activity. It has also presented new macroeconomic challenges. In this context, we are determined to ensure that current account deficits are financed in a sustainable manner and to avoid significant and prolonged misalignments in exchange rates.
5. Our economies have benefitted from the expansion of international capital flows, and we affirm our commitment to financial integration. These flows have also presented us with important policy challenges. To that end, some of our countries have found the use of market-based prudential safeguards to be a useful complement to, but not a substitute for, sound macroeconomic policies, strong prudential regulation and supervision, and an active effort to promote capital market development.

6. In order to ensure greater prosperity, we need to complement stability with higher rates of investment in both physical and human capital. Meeting a country's investment requirements while at the same time reducing external vulnerability by avoiding unsustainable current account deficits requires increasing national savings through private and public efforts. We are working to increase national savings both directly through strengthening fiscal positions and indirectly by eliminating tax and regulatory disincentives to saving. We also encourage financial market development as a means to foster private sector savings.
7. In order to facilitate the conduct of economic policy and enhance market confidence, it is important to improve the quality and availability of macroeconomic and financial data. To that end, we welcome the adoption of the Special Data Dissemination Standard (SDDS) by the IMF, which promotes the prompt dissemination of high quality macroeconomic and financial data. Seven countries of the western hemisphere have already subscribed. While recognizing that the appropriate pace of implementation varies by country, we encourage wider subscription to this standard.

STRENGTHENING, MODERNIZING AND INTEGRATING FINANCIAL MARKETS

8. Having made substantial progress in achieving our macroeconomic stabilization goals, we are now seeking to increase national savings and ensure that those savings are well invested. In this effort, our hemisphere's financial markets play a central role. Our financial markets need to be deep enough and broad enough to meet a great diversity of trade, investment and financing needs. To achieve this, our countries must continue the process of financial market strengthening, modernization and integration that is already under way, and innovation should be encouraged.
9. We recognize that lower barriers among soundly-regulated financial markets will contribute to a freer flow of capital and accelerate capital market development. We support the financial services negotiations in the World Trade Organization and urge all countries to work towards a successful outcome. We also agree that financial services warrant special attention in our efforts to develop a Free Trade Area of the Americas (FTAA). We view the integration of our financial markets as being both supportive of and a counterpart to the free trade of goods and other services.
10. We urge particular attention to the following issues, which are elaborated upon in Annex A: (a) improving transparency and disclosure through high quality, internationally-acceptable accounting and auditing standards; (b) strengthening prudential regulation and supervision of banking activities; (c) strengthening the legal, regulatory and supervisory environment for securities markets and addressing specific operational issues; (d) promoting integration of financial markets within the hemisphere; and (e) combating financial crimes through both domestic action and greater regional and international cooperation.

SECURING LONG-TERM PROGRESS

11. Our experience has shown that reform does not stop with macroeconomic stabilization. A "second generation" of reforms is needed to provide broad-based access to economic opportunity and to ensure long-term prosperity and growth. Such reforms are now underway in many countries. In addition to financial market development, next steps include:

◆ *Investment Climate*

- *Regulatory, legal and judicial reform.* Establishing the conditions that support innovation and competition -- including transparent, stable, fair and effective regulatory regimes, judicial processes and tax regimes -- is essential to promote private sector investment.
- *Fighting corruption.* Effectively fighting corruption enhances the integrity, credibility and accountability of the state and creates a more attractive investment climate.
- *Property rights and secured lending.* In order to broaden access to finance, reforms are needed to facilitate or allow the use of a variety of types of property as collateral in financial transactions, including real property and moveable tangible and intangible assets. This includes: clear and secure property rights; improved systems for titling and registering real property (especially important to enable small property owners access to financing) and improved systems for recording and enforcing security interests.

- ◆ *Credit for microenterprises.* Credit access for microenterprises is an important element of sustainable and equitable development, and we encourage measures to increase the availability of finance to microentrepreneurs.
- ◆ *Pension reform.* Pension system reforms, whether they emphasize privately administered pension funds or building up reserves in public pension funds which are then invested in financial markets, can help avoid or reduce fiscal pressures. They may also help foster capital market development.
- ◆ *Private sector participation in infrastructure finance.* The development of financing techniques which channel private savings to investment in infrastructure is necessary. Deep and broad capital markets, particularly bond markets, can help meet this need.
- ◆ *Education.* Education is an engine of sustained economic growth, as it plays a central role in enhancing productivity. An educated, trained workforce is essential to reduce poverty and promote equitable development.

12. We welcome the Heavily Indebted Poor Countries (HIPC) initiative to address the multilateral debt problem of the heavily indebted poorest countries, which targets overall debt sustainability on a case-by-case basis, and enables poor countries with good policy performance to focus their energies on sustainable development and poverty reduction. We welcome the decisions that Bolivia and Guyana are eligible for relief under the HIPC initiative, and encourage continued implementation of the HIPC initiative for eligible countries in the region.

CONCLUSION

13. We thank the IDB for its work in supporting the Committee on Hemispheric Financial Issues (CHFI) since our first meeting of Ministers in New Orleans in May 1996. We look forward to the Bank's participation in our future efforts. The CHFI will meet twice a year to assess economic and financial developments in the region, including progress on the issues referred to in Annex A and on the specific initiatives identified in Annex B, and to discuss issues of common interest. We look forward to the Summit of the Americas in Santiago, Chile on April 18-19, 1998.

ANNEXES

- A. Principles for Strengthening, Modernizing and Integrating Financial Markets
- B. Initiatives

ANNEX A: PRINCIPLES FOR STRENGTHENING, MODERNIZING AND INTEGRATING FINANCIAL MARKETS

1. Financial markets that mobilize and efficiently allocate savings are essential to meet our economies' large and diverse financing needs. They function most effectively when they operate competitively and transparently, with appropriate incentives for market participants and sound prudential regulation and supervision. We encourage strengthening, modernizing and integrating the region's financial markets based on these principles.
2. We believe this can be achieved through individual country efforts and collaboration, with the help and support of the international community. Consistent with these objectives, we welcome and endorse the *Report of the Working Party on Financial Stability in Emerging Market Economies*, which elaborates an overall strategy to strengthen financial systems, and encourage our national governments and financial authorities to consider implementing its recommendations.

Improving Transparency and Disclosure

3. We recognize the role of high quality, transparent and comparable reporting and disclosure of firms' financial information in supporting investor confidence in capital markets, and seek to

promote the use of high quality, internationally acceptable accounting standards by firms. We encourage our securities regulators to adopt high standards in information disclosure and to ensure that the information is available in a timely manner. We support greater harmonization of accounting procedures and concrete steps towards consistency of information disclosure.

4. We support ongoing efforts by securities regulators and the accounting profession to develop high quality accounting standards that are acceptable on a global basis. We welcome the work that the Inter-American Development Bank (IDB) is undertaking to support countries' reform in this area.

Strengthening Prudential Regulation and Supervision of Banking Activities

5. The key goal of banking regulation and supervision should be to promote the efficiency, safety and soundness of banking systems. It should seek to support and enhance market functioning, by establishing basic rules and ensuring that they are observed. Sound prudential regulation and supervision should be complemented by internal governance, market discipline and appropriate enforcement.
6. Key ingredients supporting internal governance and market discipline include public disclosure; enhanced accountability by directors and managers; ownership structures that foster shareholder oversight; sound risk management; adequate capital requirements; and design and application of safety net arrangements that limit moral hazard. The use of rating agencies, independent external auditors and credit bureaus can also play an important role in supporting the objectives of governance and market discipline.
7. We endorse the *Core Principles for Effective Banking Supervision* developed jointly by the Basle Committee and representatives of emerging market economies, and encourage national governments and financial authorities to implement its recommendations. The Principles constitute minimum requirements that may need to be strengthened or complemented with additional measures and legislative changes.
8. Developing and maintaining a highly skilled, well trained supervisory staff is one of the cornerstones of prudential supervision. We encourage our national bank supervisory agencies to strengthen their supervisors' training and development. To supplement national efforts, we also support the work of other organizations in providing training programs consistent with international principles and practices and tailored to the needs of the region, including the training program being developed by the Association of Latin American and Caribbean Bank Supervisors.

Strengthening the Framework for Securities Market Development

9. Securities market development is integral to mobilizing savings more effectively and expanding the array of investment options available to domestic and foreign investors. Deeper

and more diversified securities markets will increase the availability of capital to investors at competitive costs and offer savers new instruments for increasing their return and diversifying risk.

10. A transparent and stable legal and regulatory climate conducive to investment is essential for the development of securities markets. In particular, we encourage improvement of legal and regulatory regimes with respect to: corporate governance, including minority shareholder rights; bankruptcy and creditor rights; taxation; property rights and secured lending.
11. Legal, supervisory, regulatory and operational issues specific to securities markets must also be addressed. We support the ongoing efforts by the International Organisation of Securities Commissions (IOSCO) to develop core principles for the supervision of securities markets. We encourage laws and regulations to prevent fraud and insider trading and protect investors while permitting the development of new types of securities that respond to the needs of the market. In addition, reliable and efficient market infrastructure systems, such as clearance and settlement systems, depository systems and custody systems, are critical to the development of securities markets. We encourage the responsible institutions in our countries to strengthen these important functions.
12. The development of efficient and transparent government securities markets to promote effective public debt management and to provide a benchmark for other investments is important in facilitating further securities market development and integration.
13. To strengthen information disclosure, we encourage the development of credible private rating agencies and the use of effective, independent external auditing firms. Credible rating agencies and independent external auditors encourage investor confidence and promote market discipline. We recognize the importance of having external audits conducted in accordance with a comprehensive body of high quality auditing standards. We endorse the Council of Securities Regulators of the Americas (COSRA) 1997 Principles for Oversight of Independent Auditors, which are intended to enhance securities market regulatory authorities' oversight of independent auditors.
14. To ensure transparency and investor confidence in securities markets, we encourage the development of an organizational structure for over-the-counter (OTC) transactions that informs investors of market developments and helps prevent hazardous financial practices.
15. Recognizing that for capital markets to grow and mature, individual investors must know how to save and invest wisely, Ministers welcome the decision by the Council of Securities Regulators of the Americas (COSRA) to implement an investor education and protection campaign, to be launched during an investor education and protection week scheduled for March 30 - April 3, 1998, and encourage each COSRA member to implement the campaign to the fullest extent possible.

16. As we have noted in the case of bank supervision and regulation, developing and maintaining a highly skilled, well trained supervisory staff is essential. We encourage our securities market supervisory agencies to strengthen their supervisors' training and development. To supplement national efforts, we also support the work of other organizations in providing training programs consistent with international principles and practices and tailored to the needs of the region, and welcome the support of the IDB.

Promoting Integration of Financial Markets

17. We welcome the substantial activity already underway in the region to advance the process of regional and subregional economic and financial integration. There is a close link between the liberalization of trade (including financial services) and the development and liberalization of financial markets. Greater financial integration will be accompanied by a wide spectrum of new opportunities, both for investment financing and risk diversification. Through this dynamic process, integration will also spur development of our domestic financial markets and, by facilitating investment, will foster employment and growth. We urge each country to incorporate integrated, elevated standards of financial supervision and regulation within its on-going activities, as a means of accelerating the region's integration into global financial markets.
18. We encourage the deepening of cooperation among regulators in the region, including the Association of Latin American and Caribbean Bank Supervisors, COSRA, the Central American Council of Supervisors of Bank, Insurance and Other Financial Institutions, the Central American Monetary Council, the Caribbean Supervisors Group and the Offshore Group of Banking Supervisors, and note the special role these organizations can play in bringing about elevated standards in the hemisphere and fostering sub-regional as well as regional financial integration.
19. We recognize that financial conglomerates are spurring integration of financial markets and are becoming larger, more diversified, more complex and ever more global in nature. We encourage the deepening of cooperation among supervisors, within and across sectors, both domestically and across borders, to address issues raised by internationally active conglomerates.
20. We endorse the report on the *Supervision of Cross-border Banking*, prepared by a joint working group of the Basle Committee and members of the Offshore Group of Banking Supervisors, and encourage national governments and banking authorities to implement its recommendations, which are to improve consolidated supervision of banks.
21. We support bilateral arrangements for on site inspection of branches and subsidiaries of financial institutions and for information exchange between supervisors, subject to maintaining appropriate confidentiality. We acknowledge that the availability of meaningful information

and concrete possibilities for on-site inspection are important elements of effective cross-border supervision.

22. We acknowledge the role of international treaties on double taxation in promoting cross-border investments and we encourage the conclusion of bilateral income tax treaties within the region as well as with other areas of the world.

Combating Financial Crimes

23. We reaffirm our commitment to intensified action to combat money laundering. (The term money laundering is defined throughout this communique to include the laundering of both money and other assets.) We continue to recognize money laundering as a priority concern and one which threatens the integrity of our financial markets and our economic and political systems. We affirm the need for adopting and effectively implementing international and regional anti-money laundering standards, and encourage the establishment of mechanisms to facilitate cooperation in the international investigation and prosecution of money laundering activities.
24. We encourage and support the efforts of regional organizations such as the Caribbean Financial Action Task Force and OAS/CICAD to combat money laundering in the region. We applaud those countries in our region that have taken strong measures to combat money laundering, and encourage adoption of additional measures needed to address the problem.
25. Governments in the region should agree to implement the anti-money laundering components of the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. They also need to agree to adopt and effectively implement the international standards set forth in the 40 Recommendations of the Financial Action Task Force, the additional 19 Regional Recommendations of the Caribbean Financial Action Task Force (CFATF), the OAS/CICAD Model Regulations and the Summit of the Americas Ministerial Communique on Money Laundering. Specifically we encourage governments to criminalize money laundering related to all serious crimes, consider reporting of cross border movement of large amounts of currency or financial instruments, consider reporting of large currency transactions at financial institutions, and require the reporting of suspicious financial activity by financial institutions. We welcome the efforts underway at the OAS to oversee the implementation of the Plan of Action agreed at the 1995 Meeting of Ministers in Buenos Aires.
26. Integration of financial markets increases the need for cooperation among securities regulators to enforce domestic laws. Enhancing regulators' ability to cooperate with one another will increase market integrity and investor confidence throughout the hemisphere. We fully support the efforts of COSRA members to enhance law enforcement efforts by using existing legal authority and promoting new laws to improve their ability to gain greater access to information and provide assistance to other financial regulators and law-enforcement agencies. We will

work with COSRA members to ensure that they have the legal authority needed to compel the production of nonpublic information on behalf of a foreign financial regulator or law-enforcement agency and to provide such information to the requesting authority.

27. We urge greater attention to fighting corruption and bribery, in order to enhance the integrity, credibility and accountability of the state and to improve countries' investment climates. To that end, Ministers encourage the adoption of measures such as: making rules more transparent, clarifying and streamlining laws in ways that reduce official discretion, developing mechanisms to punish not only the seller but also the buyer of public favors, and designing educational and policy programs to prevent this problem. We urge the international financial institutions to further their work on capital market development and good governance, particularly with respect to anti-corruption measures, by more fully integrating anti-money laundering programs into their operations. We welcome the efforts by other international organizations to combat bribery in international business transactions. These efforts include negotiation of a convention to criminalize bribery by foreign public officials and a commitment to end the tax deductibility of such bribes.
28. We also welcome the ongoing efforts of the OAS, with the assistance of the IDB, to provide training and technical assistance to fight financial crimes.

Year 2000 Issues

29. Ministers call on the financial regulators of each country to develop supervisory plans to ensure that the firms they supervise identify and address Year 2000 issues in a timely and comprehensive manner, and make progress on the implementation of their strategies during 1998, so that, where necessary, solutions can be compared or shared.

Support of International Financial Institutions

30. We encourage the IMF, the World Bank and the IDB to work in a coordinated fashion to promote the adoption and implementation of sound principles and practices in the region as recommended in the April 1997 *Report of the Working Party on Financial Stability in Emerging Market Economies*. We encourage the IMF to play a leading role in monitoring the adoption of such principles through its surveillance activities. We encourage the World Bank, the IDB, the Caribbean Development Bank (CDB), the Central American Bank for Economic Integration (CABEI), and the Corporación Andina de Fomento (CAF), through their lending, policy advice, and technical assistance to: promote sound, market-oriented financial systems; strengthen supervisory regimes and agencies; assist in the restructuring of failed institutions, the privatization of state-owned banks, and the development of financial and legal infrastructure; and support microenterprise development.

ANNEX-B: INITIATIVES**STRENGTHENING AND PROMOTING FINANCIAL STABILITY**

1. Building upon the commitments contained in the Communique which call for the adoption and implementation of the *Basle Core Principles for Effective Banking Supervision*:
 - (A) Ministers call on the Association of Latin American and Caribbean Bank Supervisors, coordinating with subregional supervisory associations, to monitor countries' implementation and report to the CHFI annually on (i) the region's progress and (ii) recommendations for Finance Minister action to advance the process. The first report would be provided no later than December 1998.
 - (B) As a first step, Ministers call on each country's banking supervisory authorities to prepare an assessment for the CHFI of their country's implementation of the *Core Principles* to date, including any significant impediments to implementation (such as lack of statutory authority), by the end of June, 1998. These assessments will also be provided to the Association.
 - (C) To help advance this initiative and build on international efforts to improve financial transparency and disclosure requirements, Ministers recognize the need for bank supervisory authorities to establish sound, high quality reporting and disclosure requirements for banks. To this end, Ministers call on bank supervisory authorities and other interested parties, under Chile's chairmanship, to establish a Working Group on Transparency and Disclosure to: (a) prepare, in consultation with the Ministers, assessments of the current status of bank reporting and disclosure requirements in individual countries, including identification of where the accounting requirements differ from high-quality, internationally accepted accounting principles; (b) propose specific targets for strengthening reporting and disclosure requirements and (c) propose a calendar to achieve these targets in individual countries. The working group will report to the CHFI its progress by December 1998 and its recommendations by mid-1999, and may call on the international financial institutions as needed.

STRENGTHENING FINANCIAL MARKETS

2. **Bank Supervisor Training.** In order to improve the supervisory capacity in individual countries, Ministers call on national, regional and other subregional banking supervisory authorities, including the Association of Latin American and Caribbean Bank Supervisors, to implement bold supervisory training programs to achieve the highest levels of instruction in the most relevant issues of supervision, and ask them to report annually to the CHFI on their progress. Ministers call on the multilateral institutions to support further training programs in this area.

3. **Clearance and Settlement Systems.** To facilitate the transparency, efficiency and security of cross-border transactions: (a) Ministers call on the World Bank Group, in conjunction with IOSCO, the IDB and other interested parties, to compare existing clearance and settlement systems of Latin American and Caribbean countries to standards of the Bank for International Settlement and to the framework outlined in the IOSCO paper, *Clearing and Settlement in Emerging Markets: A Blueprint* by December 1998; (b) and, based on this review, Ministers call on national and regional authorities to implement changes which promote efficient and secure clearance and settlement systems consistent with those standards.
4. **Combating Financial Crimes.** Ministers agree to the establishment of special units, where they do not exist, or to the strengthening, where necessary, of existing procedures, to combat financial crimes and to collect, analyze, and share information with competent authorities relating to financial crimes, including money laundering. Ministers also agree to ask their experts to identify obstacles to national and international coordination with a view to facilitating timely sharing of information on financial crimes, including money laundering, subject to maintaining appropriate confidentiality, and to develop mechanisms of coordination that will facilitate timely sharing of information on financial crimes and money laundering between national governments.

ESTABLISHMENT OF AN FTAA FINANCIAL SERVICES NEGOTIATING GROUP

5. Ministers agree that in the Free Trade Areas of the Americas (FTAA) process, financial services should be dealt with in a separate negotiating group in the context of a single undertaking.

EXPANDING ACCESS TO CREDIT AND BROADENING ECONOMIC OPPORTUNITY

6. **Credit for microentrepreneurs and small businesses.** To assist countries that are interested in the development of microfinance and credit to small businesses, Ministers call on the IDB, in conjunction with the World Bank and the Consultative Group to Assist the Poorest (CGAP) to develop guidelines for (1) a legal, supervisory and regulatory reforms for increasing the availability of credit to microentrepreneurs and small businesses, including recommendations on such issues as collateral requirements and interest rates regimes; and (2) a legal, supervisory and regulatory framework for specialized microfinance institutions. In this regard, Ministers are encouraged that the IDB's Multilateral Investment Fund (MIF) is prepared to allocate significant resources to support microfinance institutions, and Ministers call on the IDB and the MIF to expedite approval of such MIF programs. The Ministers also encourage the members of other regional and subregional financial institutions to expand their activities in this area.

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16

Divider Title: _____

III. Economic Integration and Free Trade

- Actions for the development of cooperation in science and technology.

Governments will:

- [Current U.S. Language] Improve forecasting, warning, and response capabilities to mitigate the damage caused by natural hazards and their impact on society and the economy, specifically by improving preparedness, public awareness, and forecasts, and by applying science and technology to address the effect of climate variability on areas such as health, agriculture, and water.

RATIONALE

Natural disasters and fluctuations in rainfall and temperature patterns associated with short-term climate variability have important social and economic implications for the Americas. The impact of these fluctuations, many of which are associated with El Niño, can be dramatic and immediate. In addition to the property damage and loss of human life, these extreme events can effect agricultural productivity; the availability of water, the output of fisheries, etc. Preventing, controlling, or mitigating the effects of climate variability requires improved response capabilities and preparedness as well as trained scientists who can address the effect of climate variability on areas such as health, agriculture, and water.

STATUS

The proposal at left was recently received from the Colombian Science Ministry and is not in the proper Summit format. The U.S. suggested a consolidation to the Foreign Ministry that restored much of the original U.S. language. The Colombian Foreign Ministry indicated it found the points acceptable, though a new draft has not been received.

On the substance, the proposal addresses the El Niño phenomenon, but could be crafted better to include all natural hazards. The action item on S&T indicators is an important component of our S&T cooperation with the region, but it perhaps does not merit attention in the Summit. The U.S. could support, however, actions on information and communications technologies. The action item on sustainable development will be covered by the political declaration with regard to the Santa Cruz Summit

We also expect the Canadians to present a proposal on increasing investment in industrial R&D and innovation. If there is room in the action plan, the U.S. would support this proposal.



United States Department of State

Washington, D.C. 20520

December 3, 1997

Clemencia Forero
Vice Minister of Foreign Affairs for the Americas
Bogotá

Dear Clemencia:

Our Office of Science and Technology Policy received from Colciencia a paper on science and technology for the Santiago Summit. The paper provides good technical information to SIRG delegates as to the options for hemispheric action in the context of the Santiago Summit.

Our experts were concerned, however, that there would not be a formal proposal in the proper Summit format for discussion at the SIRG meeting next week. They undertook to summarize the salient points in the paper into two action items, as listed below:

"Governments will:

- Apply the tools of science and technology to mitigate the damage caused by El Niño and other natural hazards and their impact on society and the economy, specifically by improved forecasting, warning and response capabilities; enhanced research and training on natural hazards; and the application of science and technology to address the effects of climate variability on health, agriculture, and water. Governments will emphasize cooperative research and exchange of information on El Niño and other natural hazards
- In addition, the Ministers Responsible for Science and Technology and MERCOCYT will continue to implement the Plan of Action agreed to at Cartagena, with particular emphasis on information and communications technologies, science and technology indicators, and the link between science, technology, and development."

In general, we believe that the Colombian paper does not meet the criteria established for Summit actions: that they be concrete, presidential, and achievable within three years. We thought it would be best focus on the items above, which we believe do not duplicate efforts already underway in the hemisphere or actions under consideration in other parts of the Plan of Action (e.g., information technology).

I hope you will consider these action items as "suggestions" that might facilitate our collective work at next week's SIRG.

With warmest regards,

Richard C. Brown
Ambassador
Summit Coordinator

TALKERS FOR U.S. CHAIR

SCIENCE AND TECHNOLOGY

[NOTE: The Colombian Foreign Ministry indicated it would accept a U.S. consolidated draft of their action items. If this occurs, the U.S. chair should support the action items, as appropriate with the following point:

- Mr. Chairman, we support the Colombian proposals. We believe that an action item on El Niño will not only be timely at the time of the Santiago Summit, but important toward mitigating the economic and social impact caused by the El Niño phenomenon. Furthermore, we support the broad language that includes all natural hazards, as our hemisphere faces a wide array of such hazards.]

[If the original Colombian paper is presented:

- We commend the Colombian government for its work in hosting and leading the follow-up process for the Meeting of Ministers Responsible for Science and Technology in March 1996 in Cartagena de Indias. This report clearly shows the effort put in by the Colombian Government.
- With regard to the action proposals at the end of the paper, we believe these can be boiled down into a few concise action items that conform to the criteria agreed to in Lima. We should also review the action items to ensure they are not duplicative of the Miami Summit or Cartagena Science and Technology Ministerial.
- My government would be willing to join a drafting group to help accomplish this.]

**U.S. Department of State
Office of Language Services
Translating Division**

LS No. 128061
JPM/ML
Spanish

**Summit of the Americas
Santiago de Chile, April 1998**

**REPORT SUBMITTED BY THE COORDINATING OFFICE OF THE
SUMMIT PLAN OF ACTION INITIATIVE ON
COOPERATION IN SCIENCE AND TECHNOLOGY**

Santa Fe de Bogotá, Colombia

November 1997

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2. Hemispheric Meeting of Ministers Responsible for Science and Technology
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1. Introduction

At the December 1994 Miami Summit of Heads of State and Government of the Americas, 35 countries of the Hemisphere proclaimed a Declaration of Principles based on democracy, free trade, and sustainable development, and a Plan of Action with 23 topics and their respective mandates, each of which was assigned to a different country. The topic assigned to Colombia was Cooperation in Science and Technology. The Summit Implementation and Review Group (SIRG) was entrusted to follow up on the Plan of Action.

With regard to science and technology, the Declaration of Principles and Plan of Action expressed an agreement to lend greater impetus to cooperation in this area and issued the following specific mandates: convening a meeting of ministers responsible for science and technology in the Hemisphere in order to assess cooperative programs and the promotion of scientific associations; stimulating greater S&T interaction in the Hemisphere and supporting efforts already undertaken in other fora; participating in new initiatives driven by the private sector and non-governmental organizations (NGOs) in technological opportunities; committing to share S&T information in the Hemisphere; and expanding cooperation in scientific research and the environment.

The Hemispheric Meeting of Ministers Responsible for Science and Technology was announced at the General Assembly of Ministers of Foreign Affairs in Port-au-Prince, Haiti, in June 1995. Colombia was designated to host the meeting and to serve as technical coordinator

for the Meeting's planning process, as part of a Committee composed of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Honduras, Jamaica, the United States, Uruguay, and Venezuela. This Preparatory Committee accomplished its assignment in three working sessions: October 1995, January 1996, and March 1996.

2. Hemispheric Meeting of Ministers Responsible for Science and Technology

During the Meeting's preparatory phase, mechanisms for hemispheric cooperation embodied in a number of programs were examined, particularly: MERCOCYT [Common Market of Scientific and Technological Knowledge], the Bolivar Program, CYTED, INTERCIENCIA, the OAS Regional Science and Technology Program (PRDCYT), the network of researchers supported by UNESCO, the Inter-American Institute for Global Change Research (IAI), the International Research Institute for Climate Forecasting (IRI), and the Global Learning and Observations to Benefit the Environment (GLOBE) Program. The achievements, advantages, and shortcomings of each program were assessed in order to build on their experiences, prevent wasteful overlap, and strengthen their activities.

Also during preparations for the Meeting of Ministers, means and mechanisms were pinpointed to strengthen cooperation and enhance its effectiveness, based on the explicit inclusion of science and technology in development policies and strategies and of the lessons learned from the successful experiences some of the region's countries have had in such matters. The formulation of indicators of the various countries' science and technology capacity and the

strengthening of information and communications systems were considered to be of crucial importance in terms of expanding the scope and increasing the effectiveness of cooperation.

Another result of this effort was the identification of program areas for cooperation, particularly in the fields of biodiversity and sustainable development, the application of information and communications technologies to development, and technological development and innovation.

The First Hemispheric Meeting of Ministers Responsible for Science and Technology was held in Cartagena, Colombia, in March 1996, and was attended by 115 delegates from 30 countries and organizations of the region, with solid, valuable cooperation from the IDB, the OAS, and UNESCO. Based on the Meeting's general objective, i.e., to analyze various ways to strengthen the relationship between science and technology, on the one hand, and development, on the other, and to increase of cooperation in this area, the Ministers discussed the proposals submitted by the Preparatory Committee, considered the countries' presentations, and ultimately reached an agreement, set forth in a Declaration of Cartagena and a Plan of Action.

The Declaration of Cartagena, reflecting a Hemisphere-wide consensus, is a milestone in the region's history, not only as a common framework for courses of action, but also as a set of strategic guidelines based on an assessment of experience that focuses on efforts that have had a genuine impact.

The Plan of Action provided a logical and necessary complement, inasmuch it offers an operations strategy for translating the Declaration's ideas into reality. The Plan makes specific reference to: strengthening of the major hemispheric cooperative programs; developing the countries' scientific and technological capacities; strengthening the interface among science, technology, and development; ensuring effective participation by relatively less-developed countries; funding strategies; and the implementation of follow-up mechanisms.

The task of following up on Plan of Action implementation was assigned by the Ministers to MERCOCYT, to which end it would be necessary to establish the appropriate Executive Committee and Ad Hoc Working Groups in priority areas. On an interim basis, the Working Group or Preparatory Committee in charge of preparing for the Meeting would launch the follow-up effort, as a Provisional Executive Committee. At the same time, the Ministers asked the Secretary General of the OAS to provide the necessary resources to the MERCOCYT Technical Secretariat, under the Department of Scientific and Technological Affairs, in order to fulfill its new responsibilities.

3. Development of Institutional Mechanisms for Plan of Action Follow-up and Implementation

MERCOCYT is a multinational program, under the OAS system, designed to: foster cooperation and the exchange of information in the field of S&T; coordinate the efforts undertaken by the region; facilitate the application of S&T to development; and support cooperative research and human resources training programs in these areas. It operates through

already existing regional institutions and national agencies that participate in its projects and activities.

In assigning MERCOCYT the duty of following up on implementation of the Plan of Action, the Ministers took into account the underlying mission of this Program, which is fully compatible with the Plan's objectives, and the need to strengthen its ability to fulfill both its existing and new responsibilities. Most of the activities conducted by MERCOCYT in the wake of the Meeting of Ministers are organizational in nature and are necessary if it is to fulfill its new duties. The following meetings and results are mentioned in that context:

At the First Meeting of the Provisional Executive Committee, held in San José, Costa Rica, in June 1996, the working agenda called for an examination of Plan of Action implementation mechanisms at the national, regional, and hemispheric levels, and a review of possible coordination mechanisms with the OAS and IDB. During the Fourth Meeting of the Permanent Committee, held in Washington in October 1996, rules were formulated for electing an Executive Committee and a blueprint was drawn up for establishing Ad Hoc Working Groups. It was decided that the Provisional Executive Committee would continue to perform the duties of the Executive Committee.

The chief accomplishment of the Second Meeting of the Provisional Executive Committee, held in Bogotá in May 1997, was the formation of two Ad Hoc Working Groups: the first in the area of S&T capacity; and the second on interface among science, technology, and development. The first Working Group was subdivided into five Subgroups, each covering a

different topic and assigned to a different country as follows: Policy (Bolivia); Indicators (Argentina); Research (Colombia); Human Resources (Venezuela); and Popularizing S&T (Uruguay). The second Working Group was subdivided into Subgroups for: Innovation and the Business Sector (Chile); Social Development (Jamaica); Sustainable Development (Brazil); and Information Technologies (Costa Rica). The countries were also asked to submit a proposal to build a MERCOCYT website and to formulate several draft OAS Resolutions on funding Plan follow-up activities.

A Workshop/Seminar on building a MERCOCYT website was held in Bogotá in July 1997, during which the groundwork was laid for setting up a server and the topics of information to be provided were defined.

Finally, in October 1997, at the Fifth Meeting of the Permanent Committee, Argentina was elected as the new Chair of MERCOCYT and an Executive Committee was formed, responsible for continuing follow-up work on the Plan of Action, as follows: the United States (North America); Jamaica (Caribbean); Costa Rica (Central America); Colombia (the Andes); and Chile (Southern Cone). At the First Meeting of the newly elected Executive Committee, held as a continuation of the Fifth Meeting of the Permanent Committee, operating regulations were adopted, and a recommendation was made that the countries instruct their respective missions to the OAS to transform MERCOCYT into a Special Committee of the Inter-American Council for Integral Development (CIDI) and increase the allocations of funds recommended by CIDI's Permanent Executive Committee (CEPEDI). The Executive Committee asked the

The GLOBE Program has been expanded to include a number of countries in the Hemisphere such as Canada, the Dominican Republic, and Peru. Chile, Guatemala, Suriname, and Honduras will soon join. In addition, GLOBE coordinators in Latin America have established a committee to develop regional cooperation initiatives.

In the area of information and communication, existing networks and their fields of action are being identified. This work is being done in conjunction with international organizations active in this field, such as UNESCO and the CYTED Program, and the Latin American Scientific Networks, namely the HUCyT and INFOCyt networks. In terms of hemispheric information systems, the following activities are being conducted: the MERCOCYT website; a specialized biotechnology and food technology information system (SIMBIOSIS); the study on information and communications technology for development of the United Nations S&T Commission for Development (UNCSTD); and the Information Technology Initiative 2000 undertaken by the IDB, with a view to linking the global information revolution with regional development. The organization of the Hemispheric Information Network on Agriculture (Agroinfo) is taking place within the framework of this initiative, with additional assistance from the IICA, Caribbean/Latin American Action (C/LAA), and Texas A&M University. Between 1995 and 1997, the number of subscribers connected to the Internet rose from 6.5 to 11 million, and the number of servers in Latin America increased by 350 percent.

The Iberoamerican Network on S&T Indicators (RICYT) has promoted, particularly through its workshops, initiatives for the integration and harmonization of concepts and procedures for data collection, processing, and analysis related to scientific, technological, and

innovative activities in the Region, in the search for S&T indicators that can be used nationally and internationally.

5. Financing Mechanisms

The Program for the Regional Agricultural Technology Fund, FONTAGRO, is an innovative financial mechanism that is based on the concept of capital development funds. The member countries of the Fund (to date there are 13) have fixed as an objective the establishment of a base of US\$200 million, with the financial and administrative support of the IDB. The Program will finance cooperative agricultural research and technology development projects and projects for the sustained use of natural resources. The agreement regarding the creation of the Program will be signed at the next IDB General Assembly in Cartagena, in March 1998, the year in which review and financing of the projects submitted will begin.

With a view to implementation of the Plan of Action approved by the S&T Ministers in Cartagena, a co-financing system has been used by MERCOCYT countries. A similar mechanism is being used by the CYTED Program through voluntary contributions of the countries of the region. As was mentioned earlier, multilateral mechanisms such as the IDB, OAS, UNESCO, World Bank, and others have made a contribution to S&T hemispheric cooperation by providing support for regional initiatives and their own programs.

countries responsible for the Ad Hoc Working Groups to submit a status report on each area and on the activities to be conducted in 1998, including relevant budgets.

4. Major Achievements

The Global Agricultural Research Forum is the product of efforts of the Consultative Group for International Agricultural Research (CGIAR) to expand its coverage and establish links with National Agricultural Research Systems (SNIAs). Its Declaration and Plan of Action were adopted in late 1996 and presented at the World Food Summit in November of that year.

At the regional level, at its 1997 meeting, the Inter-American Agricultural Board supported the Regional Forum on Agricultural Research, the Latin American component of the Global Forum, and asked the Inter-American Agricultural Science Institute (IICA) to provide support by serving as the technical secretariat. Directly related to this initiative, and as part of the activities of the Program for the Regional Fund for Agricultural Technology (see below), the Medium-term Plan (MTP) was formulated, which provides the strategic vision and identifies investment opportunities and conceptual guidelines for resource allocation.

The Meeting of Science and Technology Experts of the Non-aligned Countries held in Cartagena, Colombia, March 1997, adopted a Plan of Action in the area of biodiversity, which was subsequently approved by the NOAL Ministerial Conference in New Delhi in April 1997.

6. Action Proposals

Insofar as science and technology indicators are concerned, the establishment of a hemispheric program for the development and application of science and technology indicators is recommended, with a view to encouraging the actual use thereof in policy formulation and decision-making related to the socio-economic development of the countries. Moreover, the strengthening of the appropriate system is recommended, based on the achievements of RICYT [Iberoamerican Network on S&T Indicators], with support being provided for its projects and activities, and with ongoing assistance from the OAS and MERCOCYT [Common Market of Scientific and Technological Knowledge].

In order to avert and mitigate the effects of the El Niño phenomenon through scientific and technological hemispheric cooperation, the following are recommended: greater exchange of information regarding contingency plans and actions by the countries; strengthening of the scientific, technological, training, and financial aspects of the ERFEN [Regional Study on the El Niño Phenomenon] program; urging Global Agricultural Research Forums and SNIAs to step up efforts related to information exchange on proven agricultural practices and research to obtain transgenic plants, with a view to minimizing the effects of the extreme conditions produced by this phenomenon; and providing more training for the establishment and use of agro-climatic models to forecast the corresponding effects. Furthermore, cooperative research is important in order to identify diseases whose epidemiology can change as a result of changes in environmental conditions, in those places where the phenomenon might exist, in order to

discover new information with a view to generating control mechanisms, as in the case of cycles related to parasites and their vectors.

In order to develop Information and Communications Technologies (ITC), the following is considered necessary: enhancing regional participation in international fora on intellectual property and copyright; promoting the establishment in each country of a ITC strategy; providing incentives for the development and use of transnational communications networks with sectoral applications, in particular in agriculture and health (Information Technology Initiative 2000); and providing backing for and strengthening actions outlined by MERCOCYT in this area, in particular the pertinent *ad hoc* working group.

With regard to sustainable development, it is recommended that the countries actively continue and do follow-up work related to the recommendations of the Plan of Action agreed to at the Presidential Summit in Bolivia in 1996, thereby paving the way for the balance that will be needed in the Hemisphere in the next century, in particular in the economic, productive, social, and ecological fields.

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17

Divider Title: _____

III. Economic Integration and Free Trade

- Actions related to regional energy cooperation.

Governments will:

- Prepare, by 2000, national energy strategies defining actions and establishing deadlines for the implementation of market-based regulatory, fiscal, and legislative frameworks, including the creation of mechanisms for public participation and capacity-building, that ensure the efficient and socially beneficial development and use of cross-border energy trade, protect the environment, and advance rural electrification.

RATIONALE

The Miami Summit included the agreement to develop and implement national energy strategies, but did not give a date certain for completion, nor include specific parameters for the strategies. This proposal specifically focuses on energy integration issues, increasingly important as the hemisphere moves toward closer economic integration. It sets a goal of implementation by 2000, thus fulfilling the criteria established by foreign ministers in Panama that action items be achievable within three years.

STATUS

The U.S. and Venezuela are Responsible Coordinators for this issue. The U.S. floated a proposal, cleared by Venezuela, in July that called for countries to develop national energy policies. At the November 21 meeting in Santiago, Venezuela tabled a document which dealt with the upcoming Energy Ministerial in January 1998 which will address primarily Miami Summit follow-up issues. The U.S. was able to add a clarification paragraph to this document showing that the action item for the Santiago Summit document is the agreed upon U.S. position.

Talking Points: Energy

- Access to reliable, affordable energy supplies is a critical element in assuring economic growth and prosperity as well as playing an important role in addressing poverty and other social issues. Meeting our energy needs with the cleanest energy sources and most efficient technologies also allows us to address our common environmental concerns.
- In the implementation of the commitments from the Miami Summit, we have initiated a broad based cooperation on strategies to invest in cleaner energy resources and to develop linkages between our individual energy systems to achieve the most efficient energy development.
- The proposal we are presenting for the Santiago Summit will build off the commitments made at Miami by calling for the development of national energy strategies that will emphasize implementation of a market based energy policy, legislative and regulatory framework.
- Reflecting its placement within the economic integration section, the energy action item emphasizes the importance of facilitating energy trade in the development of our individual energy strategies.
- The action item also sets target dates for the preparation of these strategies. We believe that concrete dates are an important tool in ensuring that we keep the implementation of this action item on track, especially as we continue to move on our timeline toward a free trade area of the Americas.
- We hope that you agree that the energy action item addresses our highest energy priorities and builds on our progress since Miami.

②

REPUBLICA DE CHILE
Ministerio de Relaciones Exteriores
Coordinación General
II Cumbre de las Américas

Nº 53

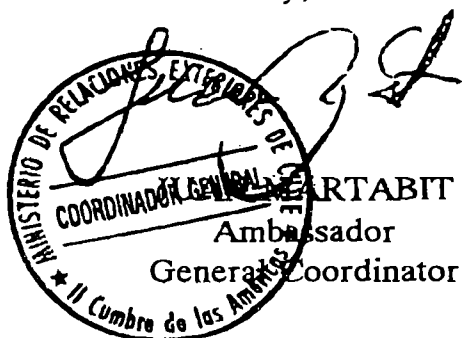
Santiago, Chile, December 3, 1997

Dear National Coordinator :

Please find as attached, the revised proposal on "Regional Energy Cooperation", prepared by the United States and Venezuela as Responsible Coordinators in this subject. This topic is included in the chapter III "Economic Integration and Free Trade".

The said proposal will be negotiated during the XI Summit Implementation Review Group Meeting (SIRG), that will be held on december 9-11 at the Headquarter of the Organization of the Americas States (OAS) in Washington D.C.

Sincerely,





SECOND SUMMIT OF THE AMERICAS

U.S. - VENEZUELAN PROPOSAL

CHAPTER III - ECONOMIC INTEGRATION AND FREE TRADE ACTIONS IN THE AREA OF REGIONAL ENERGY COOPERATION

Since the 1994 Miami Summit, work has proceeded on the topic of "Hemispheric Energy Cooperation" under initiatives 12 and 21 of the Plan of Action.

The objectives of these initiatives are to foster greater energy self-sufficiency in the Hemisphere through optimized use of natural, technological, and financial resources; to encourage the exchange of information and activities among key participants in the energy sector; and to promote the use of this sector as a catalyst for economic and trade integration.

Although the Western Hemisphere has bountiful energy resources in terms of petroleum, natural gas, coal, and renewable resources, such as hydroelectric, wind and solar power, it nevertheless has an overall shortage of energy. A mechanism for hemispheric energy integration and cooperation, based on free trade in energy, would foster the sustainable economic development of the region and decrease, in the long-term, dependency on energy sources outside the Hemisphere. It would also help support the strengthening of democracy, and, ultimately, would bolster the security and reliability of intraregional energy supplies, in the face of growing anticipated demand.

Over the past four years, we have made much progress in achieving these objectives, and, to that end, have held a First Hemispheric Energy Symposium in Washington in October 1995, and another at Santa Cruz de la Sierra, Bolivia, in July 1996. At these meetings, principles were agreed upon to guide the hemispheric integration process, which can serve as a catalyst for negotiations regarding a Free Trade Area of the Americas.

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Alongside these meetings, workshops and other training, information exchange, and policy harmonization events have been held, such as the Hemispheric Forum on Human Resources for the Petroleum Sector, held in Caracas, in May 1997.

With a view to the achievement of the initiative "Actions in the Area of Regional Energy Cooperation," the following proposals are submitted:

- Establish an organizational body to give institutional structure to the Energy Initiative of the Americas. This organization would include a Permanent Secretariat to follow up on and coordinate activities in this area;
- Ensure structured participation of the commercial energy sector in the regional integration process;
- Study in depth the basic topics of the hemispheric integration process with a view to establishing guidelines and additional bases to supplement those agreed upon at previous fora.

The above-mentioned actions shall be examined and discussed at the Third Hemispheric Meeting of Energy Ministers, to be held in Caracas in January 1998, and the results shall be submitted as concrete proposals to strengthen the hemispheric energy integration and cooperation process.

The following action point is submitted for consideration by the SIRG at its December 9-11, 1997, meeting, for inclusion in the Santiago Summit Plan of Action:

Governments will:

Prepare, by 2000, national energy strategies defining actions and establishing deadlines for the implementation of market-based regulatory, fiscal, and legislative frameworks, including the creation of mechanisms for public participation and capacity-building, that ensure the efficient and socially beneficial development and use of cross-border energy trade, protect the environment, and advance rural electrification.

The ideas referred to in this proposal reflect the joint positions of Venezuela and the United States of America as Responsible Coordinators for the Topic: "Actions in the Area of Regional Energy Cooperation."

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Divider Title: _____

III. Economic Integration and Free Trade

- Actions for the establishment of an adequate hemispheric infrastructure, especially in matters of transportation and telecommunications.

- * In accordance with the agreement of the Hemispheric Ministers of Transportation to the effect that the Western Hemisphere Transportation Initiative (HTI) be included in the agenda of the Summit of the Americas.

Governments will:

- Take the necessary measures to implement the Joint Ministerial Declaration of the Second Hemispheric Summit on Transportation, held in Santiago, in April 1996, particularly, insofar as possible, the promotion of transportation systems and services as determined by the market, which are integrated, financially viable, and environmentally sustainable, and providing safe, efficient, and reliable passenger and cargo services, which will foster the economic growth and development of our countries.
- [USG PROPOSED ADDITION] Develop a plan for improving compliance with international standards and recommended practices, such as those established by the International Civil Aviation Organization and the International Maritime Organization, to ensure the highest level of safety in air and sea transport systems, to improve infrastructure, and to increase environmental protection.
- Prepare, through the Hemispheric Transportation Initiative (HTI), based on existing subregional schemes, a regional transportation systems and services profile, and a general list of the main problems and opportunities facing the sector in our respective countries, in order to facilitate the establishment of agreements that permit progress to be made in harmonizing standards, achieving technology exchange and trade in transportation-related goods, and consensus on transportation principles, general policies, and priorities in the Americas.
- Seek, from international financing entities, the resources necessary for carrying out roadway infrastructure projects in the Americas as soon as possible.

RATIONALE

The Transportation Ministers' hemispheric initiative offers an excellent opportunity to bring greater coordination to our policies for greater hemispheric integration. By increasing comparability and uniformity of standards, we will enhance road and rail safety as well as protection of the environment. Recognizing that a large portion of trade in goods and services depends on land transportation, we can facilitate commerce and greater prosperity by increasing consistency of standards. The vastness of our Americas means, however, that personal travel and trade depend on our aviation and shipping

industries, too. We owe it to the public to increase the safety, reliability and capacity of these means of transportation. In the field of aviation, we will strive to fulfill the obligations agreed to in the Chicago Convention. Similarly full adherence to IMO standards should become a hemispheric goal, and reaching this objective will significantly enhance maritime safety and environmental protection in the Americas.

STATUS

The IDB is the Responsible Coordinator for this item. At the November 21 meeting organized by the IDB in Washington, the text on transportation was well received and there was general agreement on the desirability of linkage with the Western Hemisphere Initiative. The wording on transportation – and especially air – safety, however, became too vague, and the U.S. Department of Transportation with the FAA proposed a new action item, shown above, which was sent to Chile. DOT will also try to coordinate this additional language with their other colleagues in the hemisphere in order to arrive at a consensus.

TALKING POINTS FOR U.S. CHAIR

TRANSPORTATION

- The Transportation Ministers hemispheric initiative offers an excellent opportunity to bring greater coordination to our policies for hemispheric integration.
- By increasing comparability and uniformity of standards, we will enhance road and rail safety as well as protection of the environment.
- We can facilitate commerce and increase prosperity by increasing consistency of standards because a large portion of trade in goods and services in the Hemisphere depends on land transportation.
- Because of the vastness of the Americas, however, personal travel and trade depend also on aviation and shipping.
- We owe it to the public to increase the safety, reliability and capacity of air and maritime transportation.
- This is why the U.S. government has proposed that we develop a plan for improving compliance with international standards and recommend practices such as those established by the International Civil Aviation Organization and the International Maritime Organization.
- Full adherence to IMO standards will not only significantly enhance maritime safety but also environmental protection in the Americas.



United States Department of State

Washington, D.C. 20520

December 2, 1997

Ambassador Juan Martabit
Ministry of Foreign Affairs
Santiago, Chile

Dear Juan:

As I mentioned in my fax of November 28, I am sending you our comments which, we believe, will improve the Transportation request discussed during the sectoral meeting held at the Inter-American Development Bank on November 21. Our recommendation is shown below in bold face print.

Governments will:

- Take the necessary measures the Joint Ministerial Declaration of the Second Hemispheric Summit on Transportation, held in Santiago, in April 1996, particularly, in so far as possible, the promotion of transportation systems and services as determined by the market, which are integrated, financially viable, and environmentally sustainable, and providing safe, efficient, and reliable passenger and cargo services, which will foster the economic growth and development of our countries.
- **Develop a plan for improving compliance with international standards and recommended practices, such as those established by the International Civil Aviation Organization and the International Maritime Organization, to ensure the highest level of safety in air and sea transport systems, to improve infrastructure, and to increase environmental protection.**
- Prepare, through the Hemispheric Transportation Initiative (HTI), based on existing subregional schemes, a regional transportation systems and services profile, and a general list of the main problems and opportunities facing the sector in our respective countries, in order to facilitate the establishment of agreements that permit progress to be made in harmonizing standards, achieving technology exchange and trade in transportation-related goods, and consensus on transportation principles, general policies, and priorities in the Americas.
- Seek, from international financing entities, the resources necessary for carrying out roadway infrastructure projects in the Americas as soon as possible.

trade in transportation-related goods, and consensus on transportation principles, general policies, and priorities in the Americas.

- Seek, from international financing entities, the resources necessary for carrying out roadway infrastructure projects in the Americas as soon as possible.

A Spanish translation of the new action item is attached.

Sincerely,



Richard C. Brown
Ambassador
Senior Coordinator

cc: Antonio Vives
Inter-American Development Bank

- **Elaborar un plan para mejorar el cumplimiento de las normas internacionales y prácticas recomendadas, tales como las establecidas por la Organización de Aviación Civil Internacional y la Organización Marítima Internacional, a fin de asegurar la mayor seguridad posible en los sistemas de transporte aéreo y marítimo, mejorar la infraestructura y aumentar la protección ambiental.**

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USG PROPOSED ACTION ITEMS FOR SANTIAGO SUMMIT

III: Economic Integration and Free Trade

- **Actions for the establishment of an adequate hemispheric infrastructure, especially in matters of transportation and telecommunications.**

[CHILEAN TEXT WITH PROPOSED USG ADDITIONS/REVISIONS]

Governments will:

- Adopt strategies to support the development and continuous updating of a regional information infrastructure plan that is consistent with the national information infrastructure plans of the countries of the Hemisphere to realize the benefits offered by the "Information Revolution" to the peoples of the Hemisphere.
- Agree to implement by 2000 the regulatory principles of the WTO agreement on basic telecommunications reference paper with the aim of fostering competition and universal service and eliminating barriers to market access.
- Work together to rapidly build-out the communications and information infrastructure in the region, together with the private sector, and, if needed, request ~~CITEL~~ and the IDB to assist with implementation of the World Trade Organization's ~~Agreement on Trade in Basic Telecommunications Services (the GBT Agreement)~~, and the Declaration and Action Plan adopted by the 1996 Senior Telecommunications Officials meeting held in Washington, D.C.
- Adopt strategies to make affordable access available to all for telephony and the Internet, and encourage the development of community information service centers that provide access to telephones, computers, e-mail, the Internet, and multimedia services enabling competitive and low-cost access to information and expertise, education and training, productivity tools and basic communication services.
- Foster the development, mainly by the private sector, of applications over electronic networks, such as the Internet, broadcast television and radio, that will support education, health, agriculture and sustainable rural development, electronic commerce and other applications assisting small savers, microenterprise, and Small and Medium-Sized Enterprises (SMEs), and modernization of the State.

- Encourage the public, private and civil sectors in the Hemisphere to develop Internet-based programs that are useable and useful to the many peoples of the Hemisphere with their different socio-economic conditions and languages.
- Foster the development of electronic commerce ensuring that their private sectors have the leadership role in this area by avoiding undue restrictions and regulation, by continuing current practices that do not discriminate against electronic commerce, and by supporting a predictable, consistent, nondiscriminatory and simple legal environment for electronic commerce (including by adopting international standards for the protection of electronic transmissions).
- Foster the development of electronic commerce ensuring that their private sectors have the leadership role in this area by avoiding undue restrictions and regulation and by supporting a predictable, consistent, nondiscriminatory and simple legal environment for electronic commerce.
- Direct Ministers within the OAS/CITEL process and no later than mid-1999, to develop and begin to implement, according to national legislation, a framework for mutual recognition agreements (MRA's) for certification of telecommunications and information technology equipment, drawing on CITEL's Guidelines for Certification and other multilateral efforts on MRA's.
- Participate in a meeting of senior telecommunications officials in 1999.

RATIONALE

Telecommunications and information technology have leaped forward technologically; new applications emerge daily. By endorsing the WTO's agreement on regulatory principles, the hemisphere will ensure that competition in the marketplace increases services available and delivers them to the general public at the lowest cost possible. Governments need to encourage the telecommunications industry and not restrict its growth by excessive regulation. Initiatives like Global Electronic Commerce and wider use of the Internet will improve the lives of all our citizens by increasing access to information technology. Also, to foster greater competition and benefit to consumers, governments should strive to create a framework under which an MRA regime can begin. In June 1997, the US and the European Community concluded a landmark MRA that covers telecommunications equipment. MRA efforts are also underway in MERCOSUR and APEC.

STATUS

On November 28, Chile circulated language which was drafted at the Sectoral Meeting at the IDB on November 21. The draft contained seven action items and included language on regional information infrastructure planning; implementation of the WTO on basic telecom services; access to internet and telephony services; electronic network applications useful to

health, education, and various other initiatives; useful internet programs; minimal government restrictions on electronic commerce; and mutual recognition agreements for certification of telecommunications and information technology equipment. After consultation with the interagency group on telecom, we proposed two additional items which set a target date of 2000 for implementation of the WTO agreement on basic telecommunications reference paper and scheduled a meeting of senior telecom officials in the hemisphere for 1999. We understand that the Chileans have taken all of our changes, including our wordsmithing on their text. Thus, we can now support the Chilean position. The only problem remaining could be White House dissatisfaction over the electronic commerce language ("Foster the development of electronic commerce.....")

TALKING POINTS FOR US CHAIR

TELECOMMUNICATIONS

- We commend the Government of Chile for its proposal.
- The most dramatic development in telecommunications policy in recent years has been the World Trade Organization on basic telecommunications. A large number of Latin American states already have signed on to this and are in the ratification process. By specifically endorsing these principles, we will be putting the Western Hemisphere on the same footing as the other major regions in the world in terms of a modern telecommunications policy.
- As in the follow-up process of the Miami Summit, CITEL is being asked to play a very important role in future implementation with regard to Mutual Recognition Agreements for Telecommunications Equipment. We believe this is appropriate and right.
- With regard to the internet and electronic commerce, it is difficult to come up with acceptable language that says Governments should not implement specific regulations. But I suspect that we all would agree that Governments should be slow to regulate in a field as dynamic as electronic commerce, given the fact that this business medium has been growing as quickly as it has precisely because of the absence of stifling regulations. The U.S. does not seek to have an internet free of all regulation, but we need to be very careful about these.
- During the recent APEC talks in which the United States and several nations of the Hemisphere participated, electronic commerce was discussed at length. Other entities such as the OECD also are working on targets and standards for electronic commerce. Protection of electronic transmissions has been mentioned in other international fora as an area for concern. We in the Western Hemisphere should be in the forefront of crafting and implementing standards in these areas.
- We believe that a meeting of senior telecommunications officials could be very useful. The first meeting of senior telecommunications officials in the hemisphere in 1996 proved to be an effective forum for addressing regional telecommunications issues and following up on the Miami Summit telecommunications agenda.
- Initiatives like Global Electronic Commerce and wider use of the internet will improve the lives of our citizens by increasing access to information technology.



United States Department of State

Washington, D.C. 20520

December 4, 1997

Ambassador Juan Martabit
Ministry of Foreign Relations
Santiago

Dear Juan:

After extensive consultations with the substantive experts from other agencies, we have two additions to make to the electronic commerce item under telecommunications, in bold text below. We intend to propose these changes at the SIRG.

- Foster the development of electronic commerce ensuring that their private sectors have the leadership role in this area by avoiding undue restrictions and regulation, ***by continuing current practices that do not discriminate against electronic commerce***, and by supporting a predictable, consistent, nondiscriminatory and simple legal environment for electronic commerce ***(including by adopting international standards for the protection of electronic transmissions)***.

We look forward to seeing you next week.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard C. Brown".

Richard C. Brown
Ambassador
Senior Coordinator



United States Department of State

Washington, D.C. 20520

11/28
November 19, 1997

Ambassador Juan Martabit
Ministry of Foreign Relations
Santiago

Dear Juan:

We received your fax message containing your request for consideration and comments on the new statements for proposals on "Transport" and "Telecommunications," which were discussed during the sectoral meeting held at the Inter-American Development Bank on November 21. We have reviewed the report that emerged from that meeting with our substantive experts and have a few recommendations which we believe will improve the "Telecommunications" portion of the draft. These recommendations are shown below in bold face print (for additional language) and lines through words for deletions.

Governments will:

- Adopt strategies to support the development and continuous updating of a regional information infrastructure plan that is consistent with the national information infrastructure plans of the countries of the Hemisphere to realize the benefits offered by the "Information Revolution" to the peoples of the Hemisphere.
- *Agree to implement by 2000 the regulatory principles of the WTO agreement on basic telecommunications reference paper with the aim of fostering competition and universal service and eliminating barriers to market access.*
- Work together to rapidly build-out the communications and information infrastructure in the region, together with the private sector, and, if needed, request ~~CITEL and~~ the IDB to assist with implementation of the World Trade Organization's ~~Agreement on Trade in Basic Telecommunications Services (the GBT Agreement)~~, and the Declaration and Action Plan adopted by the 1996 Senior Telecommunications Officials meeting held in Washington, D.C.
- Adopt strategies to make affordable access available to all for telephony and the Internet, and encourage the development of community information service centers that provide access to telephones, computers, e-mail, the Internet, and multimedia services enabling competitive and low-cost access to

information and expertise, education and training, productivity tools and basic communication services.

- Foster the development, mainly by the private sector, of applications over electronic networks, such as the Internet, broadcast television and radio, that will support education, health, agriculture and sustainable rural development, electronic commerce and other applications assisting small savers, microenterprise, and Small and Medium-Sized Enterprises (SMEs), and modernization of the State.
- Encourage the public, private and civil sectors in the Hemisphere to develop Internet-based programs that are useable and useful to the many peoples of the Hemisphere with their different socio-economic conditions and languages.
- Foster the development of electronic commerce ensuring that their private sectors have the leadership role in this area by avoiding undue restrictions and regulation and by supporting a predictable, consistent, nondiscriminatory and simple legal environment for electronic commerce.
- Direct Ministers within the OAS/CITEL process and no later than mid-1999, to develop and begin to implement, according to national legislation, a framework for mutual recognition agreements (MRA's) for certification of telecommunications and information technology equipment, *drawing* on CITEL's Guidelines for Certification and other multilateral efforts on MRA's.
- *Participate in a meeting of senior telecommunications officials in 1999.*

We appreciate your solicitation of comments on this draft. We will be sending comments on the "Transport" segment separately.

Sincerely,



Richard C. Brown
Ambassador
Senior Coordinator

cc: Antonio Vives
IDB