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SOA [Summit of the Americas] - 1998 (Papers Prepared by State): Background Notes

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. briefing paper	Confidence and Security Building Measures (CSBMS) (2 pages)	ca. 03/1998	P1/b(1)
002. briefing paper	Cuba and the Libertad (Helms-Burton) Act (1 page)	ca. 03/1998	P1/b(1)
003. briefing paper	Terrorism (1 page)	ca. 03/1998	P1/b(1)

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National Security Council
Inter-American Affairs (Feinberg, Richard)
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United States Department of State

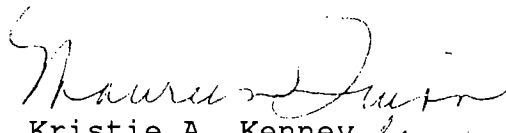
*Washington, D.C. 20520*UNCLASSIFIED

March 26, 1998

MEMORANDUM FOR GLYN T. DAVIES
Executive Secretary
National Security Council

SUBJECT: Background Papers for the President's April Trip to
Santiago, Chile

Please find attached a diskette and copies of materials for
The President's trip to Santiago, Chile.


Kristie A. Kenney
Executive Secretary

Attachments:

Bananas
Multilateral Counternarcotics Issues
Santiago Summit Follow-Up
Confidence and Security Building Measures
Santa Cruz Summit Report
Capital Markets
Summit and Children
Cuba and the *Libertad* (Helms-Burton) Act
Combating Hunger and Malnutrition
Infrastructure Development
Climate Change and Sustainable Development
USAID Support for the Summit
Property Rights and Registration
Human Rights of Migrant Workers and Their Families
Strengthening Municipal and Regional Government

MAR 26 15:12

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Attachments (continued)

Reform of the Inter-American System
Free Trade Area of the Americas and Fast Track
Economic and Financial Overview
Economic Integration and Free Trade - Overview
Capital Markets and Flows
U.S. Trade and Investment Relations with Latin America
USAID Economic Assistance in the Hemisphere
"Peoples Summit"
Terrorism
Corruption
Democracy and Human Rights - Overview
Energy Cooperation
Strengthening Civil Society
Protection of Indigenous People
Democracy and Human Rights
Labor Rights
Modernization of the State and Labor Ministry Reform
Education - Overview
Science and Technology
Electronic Commerce

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DECL: N/A

BANANAS

Bananas remain a thorny issue in our relationship with the Caribbean. Several Eastern Caribbean micro-states are highly dependent for foreign exchange and employment on banana exports to the EU, which gives special treatment to their high-cost bananas. The US objects to those elements of the regime which discriminate against US banana marketing companies and violate WTO rules. The regime also severely limits exports from Latin America, with more efficient producers and populations even poorer than the Caribbean.

Last year, the US and four Latin American countries won a WTO case against the EU on this issue. In response, the EU pledged to make its regime consistent with the WTO by January 1, 1999.

The EU Commission has proposed a new quota-based regime which we strongly believe is inconsistent with the WTO. Despite repeated offers to share our views, the Commission did not consult with us before it finalized this proposal. We and our Latin American allies (Ecuador, Guatemala, Honduras, Mexico, and now Panama) have signed a statement opposing it. The proposal has not been adopted by the EU member states, many of which oppose it.

To protect our own trade and security interests in the Caribbean, we developed a tariff-based proposal which would 1) be consistent with the WTO, 2) provide special treatment for the most vulnerable Caribbean states, and 3) allow market growth for Latin America. We consulted with the Caribbean on January 17; they showed interest but reportedly prefer the Commission proposal.

TALKING POINTS

- The US has a strong interest in promoting economic development and political stability in the Caribbean.
- We believe the EU can reform its banana import regulations to make them consistent with WTO rules, preserve the economies and democracies of the Caribbean, and allow growth for other producers. We have some ideas on how this might be done which we shared with the Caribbean and other interested countries.
- We cannot accept the EU Commission's proposal which would violate fundamental rules of the WTO. Because this proposal would be ruled -- yet again -- to violate the WTO, it would not provide the security which the Caribbean needs for its banana trade.
- We stand ready to work with the EU and other countries on developing an alternative EU regime which is both WTO consistent and helps the Caribbean.

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MULTILATERAL COUNTERNARCOTICS ISSUES

The USG is seeking to enhance multilateral counter-drug efforts in the Hemisphere. In a parallel, but distinct, effort, State is also working to improve application of the certification law and is examining recommendations for possible changes to the law. While success in improving multilateral cooperation may affect our recommendations for improving certification, our multilateral efforts are not an attempt to replace certification; it remains the law.

The objective of our multilateral approach is to establish a counterdrug alliance for the hemisphere; an alliance with explicit goals, commitments, and responsibilities. At Santiago, we will be looking for a mandate from the hemisphere's presidents to: strengthen our alliance by fully applying the Hemispheric Anti-Drug Strategy; develop a mechanism for assessing counternarcotics progress; strengthen national and international cooperation on prosecutions and extradition, money laundering, chemical controls, and illicit manufacturing and trafficking in arms.

Reactions have been positive, with some reservations. A common question is whether the assessment mechanism would replace U.S. certification. President Zedillo has told President Clinton that Mexico objected to being subjected to two "certifications" at the same time. We have reiterated at every opportunity that the mechanism would be separate from certification, but noted that a credible mechanism might -- eventually -- make the U.S. process unnecessary.

On a separate, but related issue, discussions between the U.S. and Panama on establishing a Multinational Counternarcotics Center (MCC) for intelligence and training continue. However, the discussions have been increasingly difficult. There is still chance for an agreement - but success is increasingly doubtful.

TALKING POINTS

- The increased cooperation among countries since Miami is leading toward a hemispheric alliance against drugs. As partners, we must also develop a multilateral mechanism wherein each of our countries can be evaluated in an objective, credible manner.
- Our goal is improving multilateral counternarcotics efforts in the Hemisphere, not searching for a certification replacement.

SANTIAGO SUMMIT FOLLOW-UP

The Miami Summit was successful in reinvigorating hemispheric relations in a wide range of issues. The resulting flurry of activity necessitated the creation of informal mechanisms to coordinate follow-up among the 34 countries and four hemispheric organizations. In the run-up to Santiago, several countries, including the U.S., identified the need to "institutionalize" the Summit process and make the existing hemispheric mechanisms more responsive to the mandates of leaders.

The U.S. has drawn a distinction publicly between three functions of Summit follow-up: implementation, monitoring, and formulation. Implementation involves the day-to-day work of carrying out the leaders' directions, such as development of an international agreement or new action programs. While governments have the primary responsibility for implementation, the U.S. has argued for stronger roles for the hemispheric organizations - the OAS, IDB, PAHO, and ECLAC - in carrying out this function. The OAS, which has done a credible job of responding to the Miami and Bolivia Summits, has a special role in this as the hemisphere's primary political forum. The OAS can also support governments by performing some secretariat functions and maintaining the institutional memory of the process.

Monitoring, or periodic reviews of performance by countries and international organizations, has been ably carried out by the Summit Implementation Review Group (SIRG), an ad hoc group of senior foreign ministry officials. The U.S. has argued that this function should be independent of any one country or institution and should operate on the principle of consensus. A consensus is emerging for the SIRG to continue, led by a troika of past, present, and future Summit hosts. The U.S. will remain in the troika until after the next Summit.

Formulation of future Summit agendas is a third follow-up function which Chile and others want the SIRG to perform. The OAS should play a supportive role in this process.

The Chileans want the Santiago Plan of Action to contain a section on follow-up (missing in the Miami Summit) that formally spells out the mechanisms for carrying out Summit mandates. Foreign ministers will also meet to propose recommendations for modernizing the OAS and strengthening other inter-American institutions. [Note: This paper was drafted before the April 1-3 plenipotentiary meeting, when this issue was scheduled to be negotiated.]

FTAA Negotiations: Miami will serve as the hub for the first three years of FTAA negotiations, to be conducted through nine

negotiating groups including agriculture, market access, services, and intellectual property rights. Over the planned seven-year negotiating cycle, Canada, Argentina, Ecuador and a joint U.S./Brazil team will rotate presidencies of the FTAA process. At our behest, a committee will be established to expand the involvement of environmental, labor and academic groups in FTAA deliberations.

TALKING POINTS

- Our governments should be proud of the follow-up efforts we have undertaken since Miami. Implementing and monitoring our commitments are critical if we are to show our people that Summits are credible and produce results.
- As the host of the Miami Summit, my government compiled a comprehensive progress report on the Miami Summit, which each of you has received. This report, to which many of your governments contributed, is a testament of the commitment of the hemisphere to carry out what they agree to.
- The OAS is uniquely qualified to play an important role in carrying out Summit mandates and possibly could help prepare for future Summits. All governments should seek to strengthen its capabilities to respond to our agreements. We also look to the IDB, PAHO, ECLAC, and World Bank to support Plan of Action follow-up, as appropriate.

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SANTA CRUZ SUMMIT REPORT

The December 1996 Santa Cruz Sustainable Development Summit (mandated by the 1994 Miami Summit) addressed a broad spectrum of economic, social and environmental issues in an Action Plan with 65 initiatives. The Plan emphasized the importance of public participation; technology; innovative financing; and stronger legal frameworks to achieve sustainable development.

The Plan also invited the OAS Secretary General to prepare a progress report on Santa Cruz implementation prior to the 1998 Santiago Summit. This report, presented in March, draws on input from the Interagency Task Force on Bolivia follow-up formed in February 1997 and coordinated by the OAS Secretariat. Task Force members include agencies of the UN and inter-American system, as well as all major development banks and agencies in the Region.

The report cites the effective collaboration of Task Force working groups and describes progress since Santa Cruz in such areas as sustainable energy, industrial pollution prevention, potable water, and urban sanitation. It also highlights the Inter-American Strategy for Public Participation formulated to strengthen public sector-civil society partnerships and reports steps taken to launch the Inter-American Biodiversity Information Network (IABIN) and an Inter-American Environmental Law Network. We strongly support these activities.

The report proposes an innovative approach to promoting sustainable development -- The "Forum on Sustainable Development." The agenda for annual OAS Integral Development meetings would include topics falling within two interrelated sustainable development sectors (e.g., health and water), allowing ministers to take a cross-sectoral approach.

The U.S. produced its own report on Summit Implementation which documents activities undertaken domestically or in partnerships with others to advance sustainable development. This Report focuses on water resources; biodiversity; and sustainable energy (including the U.S. Climate Change Action Plan). It also describes efforts to increase the role of civil society in sustainable development decision-making and to identify and employ innovative financing models.

TALKING POINTS

- We welcome this comprehensive and balanced assessment and commend Secretary General Gaviria for the care and effort taken to report activities in the 16 months since Santa Cruz.
- The report and its recommendations also challenge us to intensify our efforts for an environmentally sustainable approach to economic, social and cultural development.

CAPITAL MARKETS

At the Miami Summit of the Americas, Heads of State called on the hemisphere's Finance Ministers to establish a Committee on Hemispheric Financial Issues (CHFI) to advance economic and financial reform and integration in the region. Ministers have held two meetings since then, most recently in December 1997. The United States and Chile presently co-chair the CHFI. Chile and Mexico will head the group following the Santiago Summit.

When Secretary Rubin and other Finance Ministers of the hemisphere met in December, they agreed that the region's relatively healthy financial sectors had been a key factor in shielding it from the financial turmoil sweeping through Asia. They agreed it was essential to work together to strengthen further and modernize their financial systems, in order to safeguard stability, promote financial integration, and support sustainable economic growth.

Building on previous initiatives in the areas of bank supervisor training and financial system transparency, the Ministers adopted a six-point action agenda for approval by Heads of State at the Santiago Summit. The agenda focuses on strengthening the financial sector, with core measures designed to improve banking supervision, in particular through implementation of the Basle Committee's "Core Principles of Effective Banking Supervision." Other elements of the action plan include banking system transparency and disclosure, enhanced training, efficient and secure clearance and settlement standards, combating financial crimes, and a modern legal and regulatory framework for microenterprise credit and microfinance institutions.

TALKING POINTS

- Latin America's solid progress on economic reform and the soundness of its financial sector helped shield it the financial turmoil that swept through Asia.
- The United States fully supports the agreement to implement international standards on bank supervision. Fulfilling that commitment would make our region the first to do so.
- It is important that Finance Ministers devote adequate resources to implementing the entire plan of action.

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DECL: N/A

SUMMIT AND CHILDREN

The majority of children in Latin America and the Caribbean, who represent more than 40 percent of the population, are deprived of a decent, high-quality education. Many children work rather than attend school.

Education is vital to the region's growth, social advancement, and democratic progress. Yet, Latin America's schools are in crisis. Latin America leads all developing countries in the proportion of repeaters (about 29 percent per year) in elementary school, which costs about \$2.5 billion each year. Fewer than half the students who begin primary school will complete the cycle and most students entering secondary school do not graduate. About 12 percent of children of primary school age are not attending school and, despite national child labor laws, are working instead. The poor are highly concentrated in public schools, which are generally of poor quality.

The hemisphere's nations recognize the causes and problems of the education crisis in the hemisphere and are proposing Summit initiatives to address the problems. For example, a recent policy declaration of a hemispheric meeting of Ministers of Education committed to reduce significantly school dropout rates and repetition and improve the quality of education.

TALKING POINTS

- The Summit nations are seeking to establish the minimum conditions necessary to achieve universal access to quality education. The idea is to establish a Children's Education Bill of Rights in which each nation would determine its own targets to meet the minimum conditions for quality education. The Bill of Rights may encompass a variety of Summit initiatives, including, among others: health and nutrition programs focused on the educationally disadvantaged; improved teacher and school principal training; appropriate learning materials that enable children to master math and science and develop democratic values; establishing national or sub-national educational standards and methods of measuring student performance; and appropriate and cost-effective educational technology.
- Improving educational opportunities, especially for the poor, will address, in part, the issue of child labor. The Summit will serve to heighten visibility of the issue of child labor and support innovative "back-to-school" programs.

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COMBATING HUNGER AND MALNUTRITION

Hunger and malnutrition are still serious problems in the Western Hemisphere. They are a direct result of poverty and have negative effects in both the short and long term.

The Summit Action Plan gives highest priority to reducing malnutrition among pre-school children. This is the most serious problem, because of the large numbers of malnourished children in the hemisphere and because of the negative impact that malnutrition has on these children for the rest of their lives. The Action Plan also calls for giving priority to the nutritional needs of pregnant and lactating women and other high risk groups such as the elderly and disabled and the creation of alliances with the private sector to fight hunger and malnutrition in the hemisphere more generally.

This emphasis on improving the nutritional status of preschool children is particularly appropriate as part of a Summit that has identified education as the key for progress. This is because the losses in growth and cognitive development that take place during the first years of children's lives due to inadequate nutrition will have lasting effects on the ability of these children to learn and to benefit from the education made available to them as well as to their productivity as adults.

Approximately 11 million pre-school children in this hemisphere suffer from moderate to severe malnutrition. Chronic malnutrition (stunted growth) affects 20% or more of the children under five in 10 out of the 19 countries for which we have data, with over 30% of the children chronically malnourished in six of these countries.

The greatest nutritional threat to children occurs between the ages of six months to three years -- when a child is most likely weaned from breast milk to solid food. Health and nutrition programs which target children under three and put more emphasis on the proper feeding of children in this age group combined with increased utilization of the traditional child survival and reproductive health interventions can be used to help improve the nutritional status of preschool children within the region.

TALKING POINTS

- Hunger and malnutrition are still serious problems in the Hemisphere, with the greatest threat being to children under the age of three. An emphasis on improving the nutritional status of preschool children is particularly appropriate as part of a Summit that has identified education as the key for progress, considering the lasting negative impact malnutrition has on the growth and cognitive development of these children for the rest of their lives.

INFRASTRUCTURE DEVELOPMENT

BACKGROUND:

Private industry can play a major role in infrastructure development. The United States supports the efforts of the Inter-American Development Bank to develop a set of voluntary principles to encourage direct participation of the private sector in infrastructure projects.

The telecommunication sector exemplifies the positive impact of privatization. Across the hemisphere, infusions of private capital have revitalized telephone systems once notorious for long delays and bad service. However, many nations remain cautious about ratifying the WTO Agreement on Basic Telecommunications Services (WTO/GBT), endorsing the Information Technology Agreements (ITA), or adopting private sector-led model of global electronic commerce. The Santiago action items reflect this caution: they offer important movement toward efficient regional telecommunications, but stop short of a comprehensive blueprint for further modernization.

The Western Hemisphere Transportation Initiative (WHTI) provides an opportunity for experts from across the hemisphere to cooperate in addressing the transportation challenges of the region. Recognizing the importance of safe, efficient, and environment-friendly transportation systems, the United States supports this initiative and its inclusion in the Summit agenda.

TALKING POINTS:

- The development and maintenance of crucial infrastructure elements can be greatly enhanced by private investment.
- We support the Inter-American Development Bank in its effort to establish voluntary principles for private sector participation in infrastructure development.
- The telecommunications action items reflect our desire for all citizens to enjoy the benefits of the Information Age.
- Achieving this goal requires early implementation of pro-competitive principles, such as those contained in the Agreement on Basic Telecommunications Services (WTO/GBT) and the Information Technology Agreement (ITA).
- We strongly support the inclusion of the Western Hemisphere Transportation Initiative (WHTI) and its action plan in the Summit of the Americas agenda.
- We commend the Government of Chile for providing leadership in the development of the WHTI action plan.

CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT

Sustainable development encourages economic growth while taking into account its social and environmental impacts, keeping as many options as possible open for future generations. The 1996 Bolivia Summit on Sustainable Development Declaration underscored that "[D]evelopment strategies need to include sustainability as an essential requirement for the balanced, interdependent, and integral attainment of economic, social and environmental goals."

All aspects of development impact the emissions of greenhouse gases which affect climate change and the magnitude of national sinks such as forests and grasslands. The impacts of climate change are also likely to be felt in many sectors of national economies, and must be considered in development strategies. Today over 70 percent of atmospheric emissions come from developed countries (including countries with economies in transition). But energy use and power generation are expanding rapidly in developing countries, and by 2025 they will emit more total greenhouse gases than developed countries. While the Kyoto Protocol does not include binding emissions targets for developing countries, it will be critical that all countries participate if we are to solve this pressing global threat.

TALKING POINTS

- Climate change is a global problem which requires a global solution. The Kyoto Protocol is an important step in addressing this issue.
- Ultimately all countries will need to commit to limiting greenhouse gas emissions. The U.S. is dedicated to reducing its emissions and to working with all countries as they develop plans for limiting emissions while providing for continued and growing economic prosperity.
- Programs like the Clean Development Mechanism (CDM), a clearinghouse for greenhouse gas mitigation projects, can play an important role in getting countries started.
 - The CDM can provide strong incentives for companies to participate in projects, and the resulting technology transfer will likely prove invaluable to developing countries as they seek to continue on their sustainable development paths.

USAID SUPPORT FOR THE SUMMIT

Over the coming three years, 1998 to 2000, USAID will provide approximately \$1 billion in grant funding for implementation of Summit initiatives. With \$120 million targeted for microenterprise development, the largest share of this total (\$375 million) will go towards addressing poverty issues. USAID support for strengthening democracy will total about \$350 million. Funding of education will amount to \$80 million and support for economic integration will be \$28 million.

The Santiago Summit focuses on a "second generation" of political and economic reforms essential to meet the development challenges facing the hemisphere. The transcendent nature of education and its critical importance to economic and political development is a main theme of the Summit.

TALKING POINTS

- Second generation political reforms seek to guarantee citizens full participation in the political life of their nations. USAID's programs supporting this goal emphasize: the establishment of independent judiciaries; extension of democracy to local governments with emphasis on improved capacity to assume new functions; and freedom of the press.
- Second generation economic reforms emphasize the need to remove barriers that deny the poor access to economic opportunity. USAID efforts include access of the poor to: credit; secure title to property; quality health care; and decent wages and working conditions.
- Education opportunities are vital to strengthening economies and creating more opportunities for the citizenry. In support of this effort USAID will provide funds to: strengthen the teaching profession; assure adequate investments in basic education; provide local communities with more control over schools; and establish and monitor standards for educational performance.
- To foster hemispheric free trade USAID will provide technical assistance to smaller economies to support their full participation in the FTAA. Efforts will focus on modernizing customs and promoting competition policy and food safety. (This total does not include over \$225 million that USAID will provide for environment, agriculture and child survival programs not specified in the Santiago Summit Plan of Action.)

PROPERTY RIGHTS & REGISTRATION

Of all the assets available to the poor, property is by far the most important. For the majority of the urban and rural poor, ownership and productive use of this asset is significantly hindered by the lack of secure title. Properties that lack documentation of formal ownership command less market value, limit property user access to credit, and weaken the user's incentive to invest labor and capital in the land to ensure its most productive uses and raise its income-earning potential. Secure title to property is thus perhaps the single most important factor to ensure participation of the poor in the market economy and in the globalization of economies now taking place in the hemisphere. Property registration also can protect the rights of indigenous people and facilitate dispute resolution.

After it was decided by all the Hemispheric governments to include property registration in the Santiago Plan of Action, the U.S. took the lead to develop this issue. The Action Plan will (1) accelerate progress toward streamlined and decentralized systems that ensure access of the poor to property registrations; and (2) strengthen multilateral and bilateral financial and technical assistance programs to simplify property registration systems. USAID will assist in implementing the plan through a grant to the Institute of Liberty and Democracy (ILD) which will organize a hemispheric conference on property registration to share the experience of the United States in moving the informal sector into the formal economy through effective property registration systems.

TALKING POINTS

- An effective property registration system needs to be based on modernization, decentralization, and transparency.
- Building on the existing Summit consensus, USAID will provide leadership in formulating an implementation plan to advance the Summit property registration action item.
- A hemispheric property registration conference will provide opportunity to share the U.S. experience on moving the informal economy into the formal economy through effective property registration systems, and a venue to develop and refine the action plan for implementing this action item.
- This item's implementation can be accelerated by strengthening multilateral and bilateral financial/technical assistance programs aimed at developing property registration systems to ensure access of the poor to those systems.

HUMAN RIGHTS OF MIGRANT WORKERS AND THEIR FAMILIES

The purpose of the action items on migrant workers is to enhance respect for basic human rights and fundamental freedoms of all migrants and their families. The U.S. already carries out these actions, and remains the most sought-after destination in the hemisphere. However, for some of the other countries, meeting these commitments will represent a considerable challenge. Migration problems affecting Haiti and the Dominican Republic; Paraguay, Uruguay and Argentina; Mexico, Guatemala and Belize; among others, could cause last-minute attempts to dismiss the importance of the action items on migrant workers, or to weaken them (e.g., by eliminating the specific commitments in the final paragraph). A representative Working Group of eleven countries negotiated over a period of several months. It would be best to adopt the document intact, since a re-drafting exercise could easily lead to a failure to reach consensus.

TALKING POINTS:

- Millions of people move across the borders of the hemisphere each year. Increasing flows of migrant workers will almost certainly be a reality of the 21st Century. The action items will help us manage the migration flow in a humane and reasonable way, and foster a constructive dialogue.
- Above all, we must safeguard the basic human rights of all migrants and their families (whether documented or undocumented; working or in transit), and give them the protection of law and due process made available in each country's respective legal framework.
- We should adopt the action items on migrant workers as written, and carry it out with determination.

STRENGTHENING MUNICIPAL AND REGIONAL GOVERNMENT

Many of the hemisphere's nations are engaged in a major effort to decentralize government. In this initiative--on which USAID has played a lead role--the hemisphere is committed to creating more responsive and effective subnational government.

Since 1980, the number of Latin America countries that directly elect mayors has increased fivefold (from 3 to 15), and subnational governments have taken on new administrative roles.

USAID plans to devote \$25 million annually to support local government initiatives in Latin America and the Caribbean. Existing programs focus on increasing citizen participation in local decision-making, improving response and revenue-generating capacity, and encouraging reforms.

This Summit initiative commits governments to further strengthen mechanisms for public participation in subnational government decision-making (such as open public hearings and budget reviews) and to promote greater transparency in subnational government finances.

Governments agree to provide financing options to improve the delivery of public services and training opportunities to bolster subnational administrative capacity. National governments are committed to consider the devolution of governmental functions to subnational levels.

To facilitate implementation of this initiative, governments are committed to share their experiences from current and future programs supported by bilateral and multilateral cooperation institutions, including the Organization of American States, the Inter-American Development Bank, and the World Bank.

TALKING POINTS

- Public participation, financial transparency, and greater subnational government responsibility and resources are the ingredients for building effective and more accountable subnational government.
- USAID is establishing a donor consultative group on local government. We anticipate that the IDB, World Bank, OAS, and other bilateral donors will cooperate in this effort.

REFORM OF THE INTER-AMERICAN SYSTEM

There is a widespread view in the region that the major Inter-American institutions are not serving the needs of the Hemisphere's countries as well as they should and that they need to be reformed to become more relevant to the challenges of the 21st century. The OAS, the region's leading political and socio-economic forum, was dysfunctional in the 1970's and 1980's. In the 1990's, the OAS gained more vitality and relevance, as Charter amendments (the Washington and Managua Protocols) focused its attention on promoting democracy and cooperating to alleviate extreme poverty. In addition, the Miami Summit and the Bolivia Summit on Sustainable Development both gave the OAS new tasks, which it has carried out reasonably well. Finally, the OAS began playing a more active role than before in activities that range from observing elections to serving as the forum for negotiating agreements such as the Inter-American Convention Against Corruption and the Inter-American Convention Against the Illicit Traffic in Firearms.

Nevertheless, the OAS has continued to suffer from the legacy of its dysfunctionality. Largely because of lingering doubts about its ability to deliver, a new mechanism, the Summit Implementation Review Group, was created to oversee implementation of Miami Summit commitments and to negotiate subsequent Summits. Operating on the basis of consensus and free of the shackles of irrelevant procedures the SIRG has proved to be an effective, efficient mechanism. By contrast, the OAS has demonstrated a tendency to get bogged down in proceduralism and some governments have used it as a venue for concerted criticism of the U.S., mobilizing lop-sided votes against U.S. policies. Its procedures, along with those of other hemispheric institutions such as the Inter-American Development Bank, the Pan American Health Organization and the UN's Economic Council for Latin America and Caribbean need to be reviewed to ensure their responsiveness to new challenges and governmental requests.

The Santiago Declaration will probably refer to the need for the review/reform effort, pointing to the next Summit as the forum for the reforms to be considered and/or implemented.

TALKING POINTS

- All institutions must adapt to changed environments and needs in order to remain relevant. And certainly as we enter a new century, it is an appropriate time to conduct a thorough review of hemispheric institutions.
- Institutional change, however, must take place carefully with the widest agreement possible among participants.
- The United States welcomes discussion about how to enhance the utility of the Inter-American institutions to make them responsive to the needs of our people.

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FREE TRADE AREA OF THE AMERICAS (FTAA) AND FAST TRACK

Since the Miami Summit, FTAA participants have advanced the FTAA process from the preparatory to the upcoming negotiating phase. Given the expanding number of existing trade agreements in our hemisphere, the FTAA should serve to unify the Americas and ensure U.S. access to these fast-growing markets.

Trade Ministers in San Jose last month concluded preparations for launching FTAA negotiations in Santiago. Miami will host negotiations for the next three years, followed by Panama and Mexico City. Canada will chair the FTAA process until October 1999 when Argentina assumes the chair. Ecuador replaces Argentina in 2001, and the United States and Brazil will co-chair the process in 2002 until the end.

The Ministers agreed on the principles and objectives that will guide the process; set up the initial nine negotiating groups; and assigned countries to serve as the chairs and vice chairs of the different negotiating groups. The United States will chair the government procurement group.

Since the Miami mandate called for "concrete progress by the turn of the century," we are pushing for meaningful interim agreements such as an agreement on global electronic commerce. Ministers established an expert committee on electronic commerce that CARICOM will chair. We are also seeking the adoption of business facilitation measures.

Despite opposition to our proposal to establish labor and environment study groups, consensus emerged at San Jose to create a civil society committee that will expand the participation of environmental, labor, and academic groups in the FTAA process. Ministers also set up a consultative group to address concerns of the small economies.

Our failure to secure fast track weakened our leadership in the FTAA but did not prevent consensus on initiating the negotiations. Discussions early this year about a possible sectoral fast track approach raised suspicions of a few nations that we intended to "cherry pick" trade concessions in attractive sectors only; but, we made clear the FTAA will be a single undertaking.

TALKING POINTS

- We are excited about joining our hemispheric partners in launching the FTAA negotiations. This is an historic moment for the Americas, one that will benefit us all.

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- To achieve meaningful and concrete progress by 2000, we must ensure constructive measures are adopted. It is important that we support our ministers undertaking this initiative.

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ECONOMIC AND FINANCIAL OVERVIEW

Last year the Latin American and Caribbean region experienced one of its best economic performances in a generation, combining an average growth rate of more than 5 percent, with an average rate of inflation of under 11 percent (the lowest in 50 years). The continued confidence of investors in the region was demonstrated by continued high inflows of foreign capital (\$90 billion), of which two-thirds were in the form of long-term direct investment.

The Asian financial crisis is dampening growth this year and possibly next. Lower demand from Asia, slower growth in Brazil and falling world prices for key commodities like oil and copper continue to slow trade and investment flows. The region remains vulnerable to an external shock, but leaders -- particularly in Brazil -- have taken politically difficult measures to maintain macro-economic stability and avoid a major crisis. Markets have responded to their actions, with stock and bond markets beginning to recover from sharp declines in late 1997. The region's most important stock indexes (Argentina, Brazil and Mexico) have already returned to levels not reached before last year.

This good performance reflects a decade of serious economic reform to stimulate investment and growth. The commitment to market-based reform was tested by -- and withstood -- both the regional turmoil coming out of Mexico's 1995 crisis and the current Asian financial crisis. The reforms are bearing fruit. In contrast to the 1980's (when GDP per capita actually fell by about 1 percent per year), during the 1990's the region's per capita GDP has been growing by about 2 percent per year. With continued reform, rising income levels should continue through the next half-decade.

The biggest challenges now facing Latin America and the Caribbean are "second generation" reforms -- institutional restructuring, (such as improving government bureaucracy, modernizing savings/investment institutions, reforming judicial systems and labor regulations) and reducing poverty.

Although the reforms of the 1990's have succeeded in halting the drift toward greater poverty and inequality experienced during the 1980's, poverty is still widespread. Roughly one-third of Latin America's population live below the poverty line. Continued growth to provide productive jobs is critical to making an impact on this problem. Over the longer term, the key is providing quality education which is easily available and relevant to all groups of society, especially the urban poor and isolated indigenous groups.

ECONOMIC INTEGRATION AND FREE TRADE -- OVERVIEW

The launch of Free Trade Area of the Americas (FTAA) negotiations to open markets and remove barriers to hemispheric trade is broadly recognized as the economic centerpiece of the Santiago Summit. However, a variety of additional Summit initiatives will also have a significant long term impact on regional economic development. These complementary economic initiatives address the broader integration of hemispheric financial, physical, and technology infrastructure.

Beyond the FTAA, specific economic initiatives to be considered in Santiago include the liberalization of hemispheric financial markets to encourage efficient allocation of scarce investment capital; cooperation in energy infrastructure development to promote the cleanest forms of energy sector development, to enhance the efficiency of energy usage, and to share ideas on climate change strategies; science and technology cooperation initiatives to encourage countries to benefit in practical ways from the global knowledge available through the communications and information industries; and infrastructure development measures to encourage private industry and the Inter-American Development Bank to play a greater role in the development of crucial transportation and telecommunications sectors. These complementary economic initiatives are designed to harmonize the region's broad economic development priorities and so enhance inter-American cooperation.

TALKING POINT

- Taken together, this basket of hemispheric free trade and infrastructure development initiatives is an ambitious package that will play an important role in the economic development and integration of our hemisphere.
- We must ensure that our cooperative efforts in these areas improve the well-being of all our peoples.

CAPITAL MARKETS AND FLOWS

Foreign investment has become indispensable to economic growth in Latin America. It was a key factor last year as the region recorded its best economic performance in decades. Growth averaged more than 5 percent and inflation continued to decline, as new-found macroeconomic stability and continued privatization and reforms helped attract an estimated \$90 billion in foreign investments to Latin America. This was a slight drop from the \$92 billion of inflows registered in 1996, but a fraction of the chill the Asia crisis sent across international financial markets: net private capital flows to all emerging markets fell to an estimated \$200 billion from a peak of \$295 billion in 1996.

Latin American countries will continue to rely on foreign capital as the region continues its economic restructuring, with the overall current account deficit forecast to rise to \$72 billion this year from \$57 billion in 1997. Gross external borrowing requirements are estimated at \$89 billion for Brazil, \$51 billion for Mexico and \$32 billion for Argentina, according to one Wall Street firm. Most will be met by rollovers of maturing obligations, with private inflows covering the remainder.

Foreign capital has become more expensive in the wake of the Asia crisis, but lenders appear to be differentiating Latin America from Asia. While larger spreads and shorter maturities have increased borrowing costs, successful bond issues by Argentina, Colombia, Brazil and Mexico have demonstrated continued interest in the region from international capital markets. Government and public-sector borrowers have dominated the market for Latin debt so far this year, with 84 percent of new issues, but private sector corporations have begun to return to the market as well.

For now, tighter domestic and international capital markets have contributed to a general economic slowdown in Latin America. International interest costs are falling, however, making a return to growth probable in the second half of the year if the trend continues.

TALKING POINTS

- We are impressed by Latin leaders' decisive response to adverse financial conditions brought on by the Asia crisis.
- Implementing market-based reforms is the best means to reinforce investor confidence and distinguish the region's economies from troubled markets.

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U.S. TRADE AND INVESTMENT RELATIONS WITH LATIN AMERICA

U.S. trade with Latin America is burgeoning. In 1997 our merchandise exports to the region reached \$134.5 billion, 20% of our global exports. U.S. exports to Latin America continue to grow more than twice as fast as our exports to the rest of the world. In 1998 we expect U.S. exports to Latin America to exceed our exports to the European Union. Altogether the U.S. supplies an estimated 40% of Latin America's imports.

NAFTA partner Mexico -- which surpassed Japan as our second largest export market in 1997 -- continues to dominate U.S. trade flows with Latin America, absorbing over 50% of our regional exports. MERCOSUR (Brazil, Argentina, Paraguay and Uruguay) along with associate member Chile absorbed 20% of U.S. exports to the region and is a fast-growing market, as is the Andean Community (Venezuela, Colombia, Peru, Ecuador and Bolivia) which absorbed an additional 12%. Central America and the Caribbean are small but booming markets for U.S. products.

Trade within and among Latin American regional free trade areas (MERCOSUR, the Andean Community, the Central American Common Market and CARICOM) is expanding rapidly. More than 30 free trade accords have been signed in the region since 1990. We support such agreements so long as they meet WTO standards and do not create new barriers to non-participants.

The growth in intra-regional trade has deepened regional cooperation and economic integration, and has helped to cement democratic institutions and lock-in economic structural reforms. An FTAA will further enhance economic integration through the region-wide adoption of consistent, state-of-the-art trade and investment disciplines.

We continue to encourage more open investment regimes in the region. The U.S. currently has over \$150 billion in direct investment in Latin American and Caribbean countries and we invested over \$24 billion in 1997 alone. Our Bilateral Investment Treaty (BIT) program is providing greater protection for U.S. investors in Argentina, Ecuador, Jamaica, Panama, Grenada, and Trinidad & Tobago. We have signed new BITS with Honduras, Haiti and Nicaragua and are actively negotiating agreements with Bolivia and Venezuela.

TALKING POINTS

- Hemispheric trade is burgeoning and is building a foundation for broad-based economic development throughout the region.
- Eliminating barriers to trade and investment by negotiating a hemispheric FTAA will expand prosperity throughout the Americas.

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USAID ECONOMIC ASSISTANCE IN THE HEMISPHERE

	FY 1997	FY 1998	FY 1999
<i>(all values in millions US \$)</i>	Actual	Estimate	Request
Total	527.5	554.8	657.4
Development Assistance	190.1	212.5	225.2
Child Survival and Disease	83.7	81.1	72.3
Economic Support Funds	95.4	116.0	188.0
Int'l Narcotics Control	42.5	19.0	51.0
P.L. 480 Title II	104.4	116.3	110.9
P.L. 480 Title III	11.4	10.0	10.0

The USAID program builds on the Summit to consolidate peace and reconciliation, democracy, as well as to open markets and alleviate poverty. USAID programs are designed to promote sustainable economic prosperity and trade, reduce poverty, and promote regional political stability.

USAID operates sixteen country programs, a regional program, and a program for Central America and Panama. Full sustainable development programs (Haiti, El Salvador, Nicaragua, Bolivia, Peru, Guatemala, Honduras, and Jamaica) pursue strategic objectives in economic growth, environment, democracy, population and health and human capacity development. The eight limited programs (Dominican Republic, Ecuador, Guyana, Panama, Paraguay, Brazil, Mexico and Colombia), focus on a more limited set of objectives. A very modest program supports information dissemination in Cuba to support civil society and a peaceful transition to democracy.

TALKING POINTS

- The Santiago Summit focuses on a "second generation" of reforms key to effective responses to the development challenges facing the hemisphere. These efforts closely parallel the emphases of USAID's program initiatives throughout the region.

"PEOPLES' SUMMIT"

The AFL-CIO, other labor movements and NGOs will hold a "Summit of the Peoples of the Americas" in Santiago April 15-18, to parallel the Summit of the Americas (SOA) and ask hemisphere leaders to take labor, social and environmental concerns into account in FTAA negotiations.

The "Peoples' Summit" will gather unions and NGOs to voice working peoples' concerns to the media and SOA leaders and counter the FTAA launching. The organizers fear FTAA will entail 1) "the NAFTA model" of "misery and unemployment," 2) "social exclusion," not "sustainable development," and 3) "neoliberal logic of 'free trade'...a regional race for the bottom and a threat to social rights." They seek a "social counterweight...Just as governments and business elites reach their agreements at a hemispheric level...an agreement among the most diverse social forces in the Americas on a common agenda...the first step in beginning to change the balance of power and...offer alternatives."

The organizers are Chile's Unified Labor Central (CUT, its largest, most representative labor organization), the Chilean Network for the Americas' Peoples' Initiative (RECHIP) and the Interamerican Regional Organization of Workers (ORIT). The AFL-CIO is ORIT's largest affiliate. CUT and RECHIP told our embassy they want media and SOA leaders' attention, not a disturbance, and will avoid provocation or confrontation.

The "Peoples Summit" is a sequel to ORIT's May 1997 gathering in Belo Horizonte to parallel the FTAA "Business Forum" and present rather contentious views to Trade Ministers, and a smaller event this March in San Jose. The "Peoples Summit" hopes to draw 200-300 people to sectoral or thematic fora on social and economic alternatives, agrarian-campesino, environment, human rights, ethics, indigenous and women's issues, a trade union summit and a central event to analyze fora results, trade and integration. Our efforts in San Jose at the March FTAA Trade Ministers meeting addressed some of labor's concerns through the creation of an FTAA civic committee.

TALKING POINTS (if asked)

- We welcome and will take into account the views of this "Peoples' Summit," as we do those of US labor, environmental, human rights and other civil society NGOs.
- We will continue to work to ensure that hemispheric trade expansion and integration benefit working people and protect their rights.

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- We welcome the creation of a civic committee that involves labor, environmental and academic groups in the FTAA process itself.
- We continue to urge acceptance of an FTAA Labor Forum like the existing Business Forum. Both can contribute positively.

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CORRUPTION

This initiative centers on the Inter-American Convention Against Corruption -- the first such anti-corruption treaty instrument in the world -- and provisions designed to exchange experiences and increase awareness in the area of electoral campaign financing.

The initiative emphasizes the importance of ratifying the Inter-American Convention Against Corruption, which entered into force in March 1997. The U.S. signed the Convention in 1996. After resolving a number of legal issues, the Department of State forwarded the transmittal package to you in March 1998.

Governments also commit to the "Inter-American Program to Combat Corruption" developed at the OAS, two of whose elements are of particular importance: the drafting of codes of conduct for public officials, and the promotion of domestic legislation requiring senior public officials to disclose their personal assets and liabilities. Both developments, if achieved, would increase transparency and strengthen accountability.

On the electoral campaign finance side, this initiative will consider measures to limit financial contributions derived from organized crime and illicit drug trafficking. In this regard, it will consider a series of recommendations of a conference of experts held in Caracas, Venezuela in February 1998. Representatives of the U.S. Federal Election Commission participated in the conference.

TALKING POINTS

- Fighting corruption is essential if we are to consolidate democratic gains and promote sustainable economic growth in the Americas.
- Developing codes of conduct for public officials and legislation requiring senior public officials to disclose their assets encourages transparency and accountability.

DEMOCRACY AND HUMAN RIGHTS - OVERVIEW

The Democracy and Human Rights "basket" of issues strengthens democratic institutions, fosters democratic values, and addresses the threats that undermine stability within and among our nations. The issues in this section are traditionally the most sensitive in Latin America. Five of the 11 items in this basket were taken up in the Miami Summit, and build on progress made since then. The remaining items - education for democracy, local government, migrant workers, judicial systems, and enhanced labor ministries - represent a promising expansion of the hemispheric agenda.

Institutional reform is a priority issue for the region. While all but one of the countries of the Americas enjoy democratic rule and regular elections, the development of a democratic culture and values remains a challenge. This basket seeks to address these "second generation reforms," through action in: extending democratic reform to the state and local level; bolstering the rule of law through transparent governance and independent and efficient judiciaries; and strengthening labor ministries to enable them to provide quality services to workers. Democratic values are further reinforced by governments undertaking to foster the development and protection of civil society groups.

While the Plan of Action addresses the roots of democracy, it also takes up the phenomena that undermine peaceful, democratic societies. Governments will take coordinated action in the areas of corruption, terrorism, and illegal drugs, the latter of which breaks new ground with the proposal for a new multilateral evaluation process. The Plan of Action also takes unprecedented actions in the area of security and the promotion of mutual confidence among nations.

Human rights issues are advanced via programs to improve police training and remedy inhumane prison conditions. The rights of migrant workers and vulnerable groups and the legal equality of women are also addressed. An essential element to guaranteeing human rights, and a notable addition to the Summit agenda, is support for freedom of the press, reflected in the creation of a new free press and expression rapporteur within the OAS Inter-American Commission on Human Rights.

You have been asked to make an intervention introducing this basket during the first working session.

ENERGY COOPERATION

"Hemispheric Energy Cooperation" encompasses follow through on two Miami action items, "Energy Cooperation" and "Partnership for Sustainable Energy Use." The U.S. and Venezuelan governments are the responsible coordinators. Premises of the initiative are to encourage the cleanest forms of energy sector development, such as renewable energies and natural gas, to enhance efficiency of energy use, and to recognize the catalytic role that all forms of energy development, including the oil sector, play in fostering economic development and integration. The Santiago Summit will renew these efforts through a "Regional Energy Cooperation" initiative that also opens a new forum to exchange views on climate change.

To focus the initiative, a 1995 energy ministerial meeting in Washington created seven working groups which have met over the last three years to exchange information, showcase best regulatory practices, and spur integration of the region's energy sector. Working groups include: Investment; Electric Power; Regulatory Cooperation; Petroleum Sector; Natural Gas; Energy Efficiency; Rural Electrification and, to commence this year, a working group on Climate Change.

Since Miami, energy reform has swept the region. Electric utilities have been widely privatized and domestic energy prices liberalized. Venezuela has allowed direct foreign investment in its oil sector, Mexico has allowed foreign investment in natural gas transmission and distribution (but not constitutionally exempted oil and gas production). Argentina and Bolivia are exporting gas to their neighbors and Brazil is dismantling its state energy monopoly. In the Caribbean, Trinidad is developing the region's first liquified natural gas export project.

Energy ministers met again in 1996 in Bolivia and at a meeting co-chaired by Secretary Peña this January in Caracas. Ministers pledged to work towards energy integration and better regulatory and investment frameworks. The Santiago Summit's "Regional Energy Cooperation" initiative also calls for cooperation and dialogue on climate change. Our goal is to share ideas on climate change strategies within our hemisphere before the November UN Conference of the Parties Climate Change Negotiations in Buenos Aires. We are careful to cast this discussion as information sharing, not a substitute for the UN negotiation process.

TALKING POINTS

- We applaud the reform, privatization, opening to investment and regional integration which have become the norm in the hemisphere's energy sector since we last met in Miami. I understand that the Southern Cone is linking its gas networks, Venezuela is open to new energy investments, Trinidad is developing gas export projects, and Mexico has liberalized

aspects of its gas sector. We look forward to continued cooperation on this vital issue.

- Energy ministers will continue their work on energy cooperation. Our Summit also affords us an historic opportunity to exchange views on climate change and to deepen hemispheric dialogue on this pressing issue.

STRENGTHENING CIVIL SOCIETY

Historically, civil society, with few exceptions, has not been an important actor in Latin American democracies. Civil society includes representatives from non-governmental organizations (NGOs), universities, grassroots/local community organizations and individuals operating in an environment which allows full expression of civil rights and basic freedoms. As the Hemisphere has become more democratic there is a general recognition in the region that participative democracy requires not just transparency and strong institutions but, equally important, support for these from civil society.

Jamaica and Uruguay have been entrusted with developing this initiative as a supporting mechanism to the Summit's plan of action to strengthen existing initiatives to increase civil society participation in public issues, including sustainable development. A basic approach is for governments, at the national level, to adopt legal and institutional frameworks based on these principles which stimulate the formation and provide for the protection of civil society organizations.

The Organization of American States (OAS) will be used as a venue for sharing experiences and information and the Inter-American Development Bank will help governments develop financial mechanisms to support the implementation of national programs.

TALKING POINTS

- The United States recognizes the value of citizen input into the democratic process beyond periodic elections. We support a strong initiative on civil society.
- We need to develop recommendations and principles to facilitate the operation and protection of citizens groups.
- These are simple ideas which, if implemented, will strengthen our democracies and benefit all the citizens of our Americas.

PROTECTION OF INDIGENOUS PEOPLE

This initiative emphasizes the critical importance of education to the full participation of indigenous communities in society, and promotes their active involvement in the development of education and training projects.

The initiative seeks to strengthen indigenous populations and promote harmonious relationships among all social groups. It recognizes the special need to widen basic and secondary education, as well as provide technical training. A principal focus is the effort to ensure that indigenous groups, including indigenous women, are included at an early stage in decisions about capacity building and income earnings which affect them, particularly in agriculture, handicrafts, small trade, and marketing.

On a broader level, the initiative encourages national and hemispheric round tables to consider such vital social issues as education and health care, and commits governments to continue examining the possibility of an OAS declaration on the rights of indigenous communities.

TALKING POINTS

- We firmly believe that indigenous communities must be active in the development and operation of all projects designed to ensure the fullest participation of indigenous people at all levels of society.
- We want to emphasize the critical importance of education.
- As we strive to meet our goals, we want to ensure that all members of indigenous communities, regardless of gender, have access to educational opportunities.

DEMOCRACY AND HUMAN RIGHTS

This initiative commits governments to take specific actions to strengthen democratic practice and human rights, in particular the human rights of women and children. It also commits governments to enhance the capacity of the Organization of American States to coordinate more closely with national and regional human rights entities, and strengthens press freedom.

On the multilateral side, the initiative's most important commitment is to the new Special Rapporteur on Freedom of Expression, to be located in the Inter-American Commission on Human Rights of the OAS. This is a direct response to your call in Argentina in October 1997 for the OAS to strengthen its role in this area. The Commission will shortly select a full-time professional as Rapporteur and has defined a broad mandate: preparing annual and thematic reports on the state of freedom of expression in the Americas and serving an "early warning" function by bringing to the Commission's attention matters involving threats to freedom of expression. Governments also commit to strengthen the Inter-American Human Rights Institute, based in Costa Rica, which both Secretary Albright and the First Lady visited last year. The U.S. helped establish the Institute in 1980.

The initiative emphasizes the human rights of women and children. Achieving formal legal equality between women and men by 2002 is one of its most important goals, as are measures to combat the physical and sexual abuse and exploitation of children. In addition, governments commit to releasing prisoners who have been incarcerated without trial if they have been held in jail for longer than they would have served if they had been found guilty. There is a commitment in this basket of action items to develop democracy and human rights policies with the participation of civil society.

TALKING POINTS

- We welcome warmly the decision of the Inter-American Commission on Human Rights to establish a Special Rapporteur on Freedom of Expression, and we will support strongly the Rapporteur's vital work.
- We welcome the commitment to due process for prisoners. It is a major step forward for human rights.

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LABOR RIGHTS

The Miami Summit of the Americas Declaration and Plan of Action were not satisfactory with regard to basic worker rights. We have been trying to adequately respond to those concerns in the Santiago Summit Declaration and Plan of Action by moving simultaneously on two tracks:

1)Non-Trade: Seeking to insert into the Poverty Alleviation section of the Santiago Ministerial Declaration and Plan of Action a process to address core labor standards through the work of Labor Ministers; and

2)Trade: Proposing in the Free Trade section of the Ministerial Declaration and Plan of Action the creation of a Study Group on labor issues within the negotiating structure of the Free Trade Area of the Americas (FTAA).

Mexico has taken the lead in opposing these initiatives. We have worked closely with other countries in the hemisphere to develop language on a process to address core labor standards through the Ministries of Labor in the "non-trade section" on which we could reach consensus. Mexico is largely isolated in opposing our proposals in this area -- although Costa Rica and El Salvador continue to have some reservations.

At the March meeting of Trade Ministers in San Jose, agreement was reached on the creation of a committee of government representatives to receive inputs from representatives of business, environmental labor, and academic groups. While this agreement falls short of the Study Group we sought, it does provide for a process to begin to involve the labor community in the FTAA negotiating process.

Adoption of our proposal in the "non-trade section" of the Summit documents will provide a complementary process to the one established by Trade Ministers. This second process, within the purview of Ministers of Labor, would strengthen the foundation to continue to work on the labor issue within the Hemispheric integration process.

TALKING POINTS

- It is important that our workers feel that they can benefit from hemispheric integration--including through our mutual commitment to core labor standards.
- Issues of interest to labor were not sufficiently dealt with by the Miami Summit Declaration and Plan of Action.
- We need to redress this problem in the Santiago Summit and Plan of Action, making sure that processes are established that adequately demonstrate our concern about core labor standards as we proceed with the hemispheric integration process.

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MODERNIZATION OF THE STATE AND LABOR MINISTRY REFORM

For hemispheric economic integration to be successful, its benefits need to be distributed to the greatest possible number of workers in the region. Ministries of Labor can contribute to the success of the economic integration process through policies that promote productive employment, especially training and investment in human resources; labor market information that assists workers and employers in matching job openings and job seekers; safe and healthy workplaces; constructive labor-management relations; and fostering the rule of law through enforcement of domestic labor law.

In particular, attention should be directed to: 1) strengthening Ministries so that they can better pursue policies that allow their workforces to benefit from the opportunities of hemispheric integration; 2) making the work of the Ministries more responsive to the needs of workers and employers; 3) and improving the quality of services they provide to the population, particularly those that have special needs for services, such as youth, women, and the disabled.

Perhaps the greatest impediments to the modernization of Ministries of Labor are the lack of status and resources within their own governments. Financial and technical assistance from the IDB and the ILO could contribute to the modernization efforts.

In the Declaration of Buenos Aires and Plan of Action of the Tenth Interamerican Conference of Ministers of Labor, held under the auspices of the OAS in October 1995, Ministers of Labor already identified modernization of labor ministries as a priority. In November 1997, Secretary Herman met with Ministers of Labor from Central America, Panama, Belize and the Dominican Republic to discuss modernization of their ministries (with financial support from AID). The IDB has also committed some funds to modernization of these ministries.

TALKING POINTS

- Ministries of Labor can contribute to the hemispheric integration process by providing high-quality services to workers and employers that facilitate the operation of labor markets and allow the broadest number of workers to be in a position to benefit from the opportunities of hemispheric integration.
- By improving the services and training they provide, Ministries of Labor can also increase support for the FTAA process because workers in more countries will be in a position to benefit and concerns about potential dislocations from expanded trade can be responded to more effectively.
- Financial and technical assistance from the IDB and the ILO, working through the OAS coordination process, should facilitate modernization efforts of Ministries of Labor.

EDUCATION - OVERVIEW

Education enjoys pride of place as the first initiative in the Santiago Plan of Action. The Summit nation leaders want to highlight their commitment to educational reform, recognizing that education is the key to future prosperity and democratic stability. Only wealthier people in most of the Hemisphere can afford to give their children good primary and secondary education, which is usually private. Consensus has emerged that access for all to high-quality education is necessary will Latin America and the Caribbean to join the developed world. Reform is underway and a strong, eloquent, public commitment by the Summit leaders will underscore and sustain this new commitment.

The Education Initiative developed under Mexico's leadership is built on four essential principles: equity, quality, relevance, and efficiency. Under this Initiative, governments will improve educational opportunity for all by domestic action and multilateral cooperation, by: targeting resources on the disadvantaged; establishing systems to evaluate educational quality; upgrading the skills of teachers and school managers; strengthening preparation for the world of work; developing democratic and good environmental values; promoting access to information and communication technologies; and increasing educational exchange. The IDB, World Bank, and OAS have will have to assist in meeting these commitments.

TALKING POINTS

- The remarkable advance of democratic and economic reforms in the Americas makes it imperative that we have a well educated, technologically literate, informed citizenry.
- Better education will mean greater prosperity and richer, more fulfilling lives for all our citizens. Education is a fundamental building block for the 21st century.
- National governments must assure sound policies and adequate resources for education. But, we can also work *together* to implement this initiative. The U.S. looks forward to this kind of cooperation. At the next Summit, we must show concrete results with better quality education for all of our citizens.

SCIENCE AND TECHNOLOGY

These initiatives reflect the agenda set at a 1996 meeting of Science Ministers in Cartagena which focused on developing a plan of action for harnessing the benefits of science and technology for economic development. The key objectives are strengthening the capacity of Summit countries to benefit from a knowledge-based global economy, enhanced cooperation in addressing the effects of El Niño and natural hazards, and advancing cooperation between industry, academia and governments.

Information and communication infrastructures are key strategic components of national and regional integration and will support many aspects of economic development.

Science and technology advances will enhance prediction of climate changes such as El Niño. Cooperation through joint research and training is essential to respond to climate variability and natural disasters.

Cooperation among the academic and industrial sectors is critical for advancing innovation, applying the benefits of research and development of skilled human resources, and integrating small and medium sized enterprises.

TALKING POINTS

- By encouraging the growth of our communication and information industries, we can bring enormous amounts of knowledge to bear to solve problems. The development of a seamless, global "network of networks," which provides high speed communications links to cities and villages, will foster economic growth, knowledge sharing and dissemination, and improve the quality of life for everyone.
- We all will benefit from working together on the challenges posed by natural hazards such as El Niño. The scientific research can be translated into tools that allow us to improve our understanding of climate variability and apply that knowledge to better manage agricultural planning, fisheries, water supplies and other resources.
- Fostering a culture of innovation in our schools, our governments, and our industries is key to our long-term success.
- We must work to implement the Plan of Action developed in Cartagena, through the regional institutions that can play such an important role in hemispheric cooperation in science and technology.

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ELECTRONIC COMMERCE

Electronic commerce (E-Commerce) improves productivity, revolutionizes retailing, and stimulates trade. It also gives small and medium-sized enterprises a chance to compete globally with large corporations. In the social and educational arenas, it provides a relatively inexpensive platform for telemedicine and distance learning. Still, many businesses, educators, and ordinary users are wary because the Internet lacks a predictable legal environment. Some fear that governments will impose customs duties and new taxes, require licensing of authentication and privacy systems, restrict the type of information carried, and try to control standards development.

In response to such concerns, the USG issued "A Framework for Global Electronic Commerce." The report calls for global consensus on such key issues as tariffs, taxes, privacy, content, intellectual property, electronic payments, and electronic authentication. It also outlines the USG view that in order for global E-Commerce and other Internet applications to flourish, the private sector should lead. The USG believes in minimal legislation, regulation, and taxation. The Internet should be a seamless, decentralized, global marketplace driven by competition and consumer choice. Where government must be involved, it should be to support and enforce a predictable, minimalist, consistent, and simple legal environment.

Response to the U.S. initiative has been positive. On Dec. 5 the U.S. and the European Union issued a joint statement that captures USG principles of private sector leadership and lays out an agenda for cooperation on specific issues. The U.S. is negotiating a joint statement with Japan and may pursue similar agreements with other countries. The World Trade Organization (WTO) also is considering a U.S. proposal that there be no customs duties on electronic transmissions. The Organization for Economic and Cooperation and Development, the Asia Pacific Economic Community, and the UN Commission on International Trade Law, also are addressing E-Commerce issues.

The European Commission proposed recently, that countries work toward adopting a global Internet Charter in 1999. The Commission says such a Charter would not be legally binding or create an international supervisory authority. It would be a framework to coordinate activities and explore key issues. The Commission intends to host a private sector roundtable on the matter in late 1998 and to call for a ministerial meeting in early 1999. The USG does not yet have a position on the proposal, although we have concerns that it may not be sufficiently industry led. Ira Magaziner is coordinating USG review of the proposal and to determine whether the Charter will attract support from other governments and from industry.

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Electronic Commerce in the Western Hemisphere

Business over the Internet and private networks is booming in the region. Still, reactions to the U.S. Framework for Global Electronic Commerce vary widely. Officials seeking to develop telemedicine and distance learning tend to embrace the U.S. E-Commerce principles. However, officials responsible for trade policy are more skeptical. The latter group has successfully reined-in more enthusiastic colleagues; following Brazil's lead, trade officials in Argentina, Chile and Mexico have declined bilaterally to endorse U.S. E-Commerce principles. To some extent this reflects a desire more fully to understand the implications of the new technology. This opposition may weaken as USG experts more fully explain our positions, and as our WTO initiative on duty-free cyberspace gains momentum. However, the Latins also view adoption of the U.S. model for electronic commerce as a potential bargaining chip in the FTAA negotiation. Accordingly, they have been unwilling in the lead-up to the Santiago SOA to embrace duty-free cyberspace. Adopting a less ambitious approach, trade ministers meeting in San Jose March 20 accepted a CARICOM offer to lead a study by government and private sector experts of electronic commerce issues.

The rapid growth of the Internet has been a great technical achievement but technology alone won't guarantee the wide use of E-Commerce and its benefits to the U.S. economy. The right for our firms to compete in foreign telecommunications markets, won at the WTO and through U.S. market leadership, along with the increasing number of Internet-based enterprises, provides the economic basis for U.S. investment in E-commerce. The next hurdle will be to keep foreign markets open to the full range of American virtual goods and services.

TALKING POINTS

- The USG considers electronic commerce to be an important engine for growth in the world economy of the 21st century.
- Just as we have seen the benefits that competition in telecommunications can bring to our citizens, we need to ensure that those same benefits, the choices and the opportunities, are there in electronic commerce. Without competition, we offer business and consumers a stagnant and unresponsive market and thus rob them of their full potential.
- The Internet also offers new opportunities for social development. Telemedicine and distance learning applications delivered over the Internet already are improving health care and educational opportunities around the globe.

- The U.S. Government believes that to capture the full economic and social development benefits of the Internet, governments must avoid heavy handed regulation. In our view, the private sector should lead and governments should avoid placing undue restrictions on the Internet.
- We hope we can count on your support for:
 - a customs-duty free environment for electronic transmissions;
 - an understanding among governments that taxes should be applied to Internet sales in a neutral, non-discriminatory manner;
 - an understanding that governments will support private sector-led efforts to agree upon a common, technology neutral approach to electronic authentication.